



Miyoshi Precision Limited
Incorporated in the Republic of Singapore
Company Registration No. 198703979K

INVESTMENT AGREEMENT IN RELATION TO THE PROPOSED INVESTMENT IN GIKEN SAKATA (S) LIMITED (“PROPOSED INVESTMENT”)

Introduction

Further to the announcement made by the Company on the Proposed Investment on 17 December 2007, the board of directors (the “**Board**”) of the Company wishes to announce that it has entered into an Investment Agreement (the “**Investment Agreement**”) with Giken Sakata (S) Limited (the “**Investee**”) on 4 February 2008. The principal terms of the Investment Agreement are substantially the same as the terms set out in the term sheet dated 14 December 2007.

Principal terms of the Investment Agreement

The principal terms of the Investment Agreement are as follows:-

- (i) Subject to the fulfilment of the Drawdown Conditions (as defined below), the Company grants to the Investee an initial loan in principal amount of S\$1.5 million (the “**Initial Loan**”), for which the Investee grants the Company an option to convert the Initial Loan into 23,529,411 new ordinary shares (“**New Shares**”) in the issued share capital of the Investee. The repayment of the Initial Loan will be offset by the subscription consideration for the New Shares due from the Company to the Investee. The Investee may only make a drawdown on the Initial Loan on a date to be agreed by the Company and the Investee in writing after fulfilment of the Drawdown Conditions (the “**Initial Drawdown Date**”).
- (ii) Subject to the fulfilment of the Conversion Conditions (as defined below), the Company shall within 14 business days from the date of fulfilment of the Conversion Conditions exercise its option to subscribe for the New Shares for a total subscription consideration of S\$1.5 million (representing a subscription price of S\$0.06375 for each New Share, which is a 15% discount from the net tangible assets per share in the Investee as at 31 March 2007).
- (iii) Subject to the fulfilment of the Drawdown Conditions, the Company may grant to the Investee additional loans of up to S\$1.5 million (the “**Additional Loan**”), for which the Investee grants the Company an option to convert the Additional Loan to new ordinary shares (the “**Additional New Shares**”) in the issued share capital of the Investee. The Additional Loan may be granted during the period commencing from the date of the Investment Agreement to the earlier of (a) the full disbursement of the Additional Loan, (b) 30 June 2008 or (c) such other date as may be agreed by the Company. The option to convert the Additional Loan is valid for a period of 14 months from (a) the date of fulfilment of the Conversion Conditions or (b) 30 June 2008, whichever is later (the “**Conversion**”).

Period”). The issue price of each Additional New Share shall be S\$0.03234 which is a 30% discount from the net tangible asset per share in the Investee as at 30 September 2007.

- (iv) If any of the Drawdown Conditions is not fulfilled and not waived by the Company on or prior to the Initial Drawdown Date, the Investment Agreement shall *ipso facto* cease and determine and no party shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breach of any provision of the Investment Agreement by any relevant party.
- (v) The Initial Loan and the Additional Loan (collectively, the “**Loan**”) shall be used by the Investee for the purpose of funding its operations.
- (vi) The Investee shall pay to the Company interest on the Loan and on interest accrued on the Loan at a rate being the lowest of the prevailing prime rate charged by DBS Bank Ltd, The Hongkong & Shanghai Banking Corporation Limited, United Overseas Bank Limited and Malayan Banking Berhad from time to time. When the Initial Loan is discharged by the issue of the New Shares, the interest accrued shall be waived by the Company.
- (vii) If the Conversion Conditions are not fulfilled or waived within 6 months from the date of the Investment Agreement (or such longer period as the parties may agree), the Company shall have the right, by giving 3 months’ written notice to the Investee, to recall the Initial Loan and/or Additional Loan.
- (viii) In the event that the option to convert the Additional Loan (or any part thereof) is not exercised within the Conversion Period, the Company shall have the right, by giving 3 months’ written notice to the Investee, to recall the Additional Loan (or any part thereof).
- (ix) The Investee shall procure that the Initial Loan and the Additional Loan shall be secured by a debenture granted by the Investee comprising a fixed and floating charge over all property and assets of the Investee (the “**Debenture**”) to the Company. The Initial Loan and Additional Loan (or any part thereof) shall be secured by the Debenture until their discharge upon the issue of the New Shares and Additional New Shares.
- (x) The occurrence of, *inter alia*, the following events shall entitle the Company to declare an event of default on the Initial Loan and Additional Loan:
 - (a) if any of the Conversion Conditions is not fulfilled or waived within 6 months from the date of the Investment Agreement (or such later date as may be agreed); and
 - (b) the Investee does not enter into a debt restructuring agreement with the HP Lenders (being United Overseas Bank, Orix Leasing Singapore Limited and Hitachi Capital Singapore Pte Ltd) and the Banks (being DBS Bank Ltd, The Hongkong & Shanghai Banking Corporation Limited and Malayan Banking Berhad) within 6 months from the date of the Investment Agreement.

Upon the declaration by the Company that an event of default has occurred:-

- (A) the whole of the Initial Loan and Additional Loan plus accrued interest for the time being outstanding and unpaid (including amounts contingently owing) shall become payable 90 days after the Company gives notice in writing to the Investee declaring an event of default;
- (B) the obligations of the Company under the Investment Agreement shall be automatically and forthwith cancelled without prejudice to its accrued rights under the same; and

- (C) it shall be lawful for the Company to exercise all or any rights, powers and remedies under his Agreement or any of them in any manner and in any order as the Company may determine.

Chapter 10 of the Singapore Exchange Securities Trading Limited's (the "SGX-ST") Listing Manual

As the Initial Loan and the Additional Loan is convertible into New Shares and Additional New Shares in the issued share capital of the Investee, subject *inter alia* to fulfilment of the Conversion Conditions, the Loan may result in acquisition by the Company of shares in the Investee ("**Share Acquisition**").

Rule 1006 of the SGX-ST Listing Manual

The relative figures for the Share Acquisition computed on the bases set out in Rule 1006 of the Listing Manual are as set out below:

| | Acquisition of New Shares | Acquisition of New Shares and Additional New Shares |
|--|--------------------------------------|--|
| (a) The net asset value of the assets to be disposed of, compared with the group's net asset value. | Not applicable. | Not applicable. |
| (b) The net loss ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the group's net profits ⁽¹⁾ . | (8.7%) ⁽²⁾ | (16.7%) ⁽³⁾ |
| (c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation. | 2.1% ⁽⁴⁾ | 4.2% ⁽⁵⁾ |
| (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. | Not applicable | Not applicable |

Notes:

- (1) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing the net loss attributable to New Shares, by the net profit of the Company. The net loss attributable to the New Shares is based on results of the Investee as explained in paragraph 7 below. The net profit of the Company is based on the announced audited financial results for the year ended 31 August 2007.
- (3) Determined by dividing the net loss attributable to the New Shares and Additional New Shares, by the net profit of the Company. The net loss attributable to the New Shares and the Additional New Shares is based on results of the Investee as explained in paragraph 7 below. The net profit of the Company is based on the announced audited financial results for the year ended 31 August 2007.
- (4) Determined by dividing the maximum amount of consideration for the New Shares of S\$1,500,000, by the market capitalization of the Company as at 1 February 2008 (being the market day preceding the date of the Investment Agreement) of S\$71.5 million.

The market capitalization of the Company is determined by multiplying the number of shares in issue of 420,669,490 shares by the closing price of such shares of 17.0 cents transacted on 1 February 2008 (being the market day preceding the date of the Investment Agreement).

- (5) Determined by dividing the maximum amount of consideration for the New Shares and Additional New Shares of S\$3,000,000, by the market capitalization of the Company as at 1 February 2008 (being the market day preceding the date of the Investment Agreement) of S\$71.5 million.

The market capitalization of the Company is determined by multiplying the number of shares in issue of 420,669,490 shares by the closing price of such shares of 17.0 cents transacted on 1 February 2008 (being the market day preceding the date of the Investment Agreement).

Classification of Transaction

As the figures computed pursuant to Rule 1006(b) of the Listing Manual results in negative figures because the Investee is loss-making, the Company, pursuant to Rule 1007(1) of the Listing Manual consulted the Singapore Exchange Limited (the “**Exchange**”) on whether shareholders’ approval is required for the Share Acquisition. Based on the Company’s representations and submissions to the Exchange, the Exchange directed the Company to seek shareholders’ approval for the Share Acquisition.

A circular containing further details of the Proposed Investment including the Share Acquisition, together with a notice of an extraordinary general meeting, will be despatched to the shareholders of the Company in due course.

Information to be announced under Rule 1010 of the SGX-ST Listing Manual

- (1) *Particulars of the assets acquired*

Subject *inter alia* to the fulfilment of the Conversion Conditions, the assets to be acquired are the New Shares in the issued share capital of the Investee.

If the Company grants the Additional Loan to the Investee, the Company will be given an option to convert the Additional Loan into Additional New Shares in the issued share capital of the Investee.

- (2) *A description of the trade carried on*

The Investee is a public company whose shares are listed and quoted on the Singapore Exchange Securities Trading Limited’s Catalist. As at the date hereof, the Investee has a total issued and paid-up share capital of S\$18,331,904, comprising 61,598,057 ordinary shares in the share capital of the Investee. The principal activities of the Investee and its subsidiaries include the manufacture and sale of mircoshafths and other precision parts and assembly of mechanisms used in computers and a range of electronic products.

- (3) *The aggregate value of the consideration, including factors taken into consideration in arriving at the value of the consideration and how it will be satisfied, including the terms of payment*

The consideration for the New Shares is S\$1.5 million in the form of the Initial Loan, based on a subscription price of S\$0.06375 for each New Share, which represents a 15% discount from the net tangible assets per share in the Investee as at 31 March 2007. The consideration was determined on a willing-seller, willing-buyer basis after arm’s length negotiations and was based, *inter alia*, on the net tangible asset value of the Investee as at 31 March 2007.

The maximum consideration for the Additional New Shares is up to S\$1.5 million in the form of the Additional Loan, based on a subscription price of S\$0.03234 for each Additional New Share, which represents a 30% discount from the net tangible asset per share in the Investee as at 30 September 2007. The consideration was determined on a willing-seller, willing-buyer basis after arm's length negotiations and was based, *inter alia*, on the net tangible asset value of the Investee as at 30 September 2007.

(4) *Any material conditions, including put and call options*

Conditions precedent to drawdown of Loan ("**Drawdown Conditions**")

The obligation of the Company to make available to the Investee the Loan is subject to the following conditions precedent being fulfilled on or prior to the Initial Drawdown Date or unless waived by the Company:

- (a) delivery by the Investee to the Company of the duly executed resolutions of the board of directors of the Investee approving, *inter alia*, the Loan and the entry into the Investment Agreement by the Investee;
- (b) the appointment by the Investee of one (1) nominee of the Company to the board of directors of the Investee provided that such nominee meets the applicable statutory requirements or the requirements of the SGX-ST; and
- (c) the delivery by the Investee to the Company of the undertakings to be procured by the Company and duly executed by each of the major shareholders of the Investee (ie Eiju Yokota, Sakae Yokota, Sanae Yokota, Siix Singapore Pte Ltd and Siix Corporation) undertaking, *inter alia*:
 - (i) not to sell, pledge, encumber, grant an option with respect to, transfer or dispose of their existing shares in the Investee without the consent of the Company; and
 - (ii) to vote in favour of all resolutions tabled or proposed at the general meetings of the Investee relating to the Loan, including but not limited to, (a) the entry by the Investee into this Agreement; (b) the allotment and issue of the New Shares and the Additional New Shares to the Company pursuant to the terms and conditions of the Investment Agreement; and (if applicable) the Whitewash Resolution (as defined below).

Conversion Conditions

The subscription of the New Shares and the Additional New Shares are subject to certain conditions precedent being fulfilled including the requisite approvals being obtained from the relevant parties for the Proposed Investment which includes *inter alia*, the following:-

- i) approval in-principle for the issuance, listing and quotation of the New Shares and the Additional New Shares ("**AIP**") from the SGX-ST;
- ii) approval from shareholders of the Investee for, *inter alia*, the entry by the Investee into the Investment Agreement and the allotment and issue of the New Shares and Additional New Shares to the Company pursuant to the terms of the Investment Agreement;
- iii) approval for the conversion of the Initial Loan and the Additional Loan into New Shares and Additional New Shares respectively from the shareholders of the Company;

- iv) the Company obtaining a waiver (the "**Whitewash Waiver**") from the Securities Industry Council (the "**SIC**") from the requirement to make a mandatory offer under Rule 14 of the Singapore Code on Takeover and Mergers (the "**Code**") for all the shares in the Investee as a result of the issue of the New Shares, and the grant and exercise of the option in connection with the Additional Loan;
 - v) the approval from the shareholders of the Investee independent of the Company by a resolution (the "**Whitewash Resolution**") waiving their rights to receive a general offer from the Company and the parties acting in concert with the Company under Rule 14 of the Code as a result of the issue of the New Shares, and the grant and exercise of the option in connection with the Additional Loan; and
 - vi) where the AIP and the Whitewash Waiver referred to above is granted subject to any conditions, such conditions being reasonably satisfactory to the Company and the Investee and such conditions being satisfied prior to the allotment and issue of the New Shares and the Additional New Shares (where required).
- (5) *The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation*

Net book value of assets of the Investee as at 30 September 2007 was S\$2.85 million. The net book value of assets attributable to the New Shares is S\$0.79 million, and the net book value of assets attributable to the New Shares and Additional New Shares is S\$1.51 million.

Net tangible assets of the Investee as at 30 September 2007 was S\$2.74 million. The net tangible assets attributable to the New Shares is S\$0.76 million, and the net tangible assets attributable to the New Shares and Additional New Shares is S\$1.45 million.

The latest available open market value of shares in the Investee based on the market closing price of the shares on 1 February 2007 was S\$5.24 million. The latest available open market value attributable to the New Shares is S\$1.45 million, and the latest available open market value attributable to the New Shares and Additional New Shares is S\$2.78 million.

- (6) *The source(s) of funds for the acquisition*

The Proposed Investment will be financed through external bank borrowings of S\$3,000,000.

(7) *The net profits attributable to the assets being acquired*

Net loss after tax of the Investee for the 12 months ended 30 September 2007 was S\$4.8 million. The net loss after tax attributable to the New Shares is S\$1.3 million, and the net loss after tax attributable to the New Shares and Additional New Shares is S\$2.6 million.

(8) *The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year*

For illustrative purposes only, assuming that the Share Acquisition had been effected at the end of FY2007, its effect on the consolidated net tangible assets (“NTA”) per share of the Company for FY2007 would have been as follows:-

| | <u>As at 31 August 2007</u> | <u>After the acquisition of New Shares</u> | <u>After the acquisition of New Shares and Additional New Shares</u> |
|-----------------------|---------------------------------|--|--|
| NTA per share (cents) | 14.72 | 14.55 | 14.34 |

(9) *The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year*

For illustrative purposes only, assuming that the Share Acquisition had been effected at the beginning of FY2007, its effect on the earnings per share (“EPS”) of the Company for FY2007 would have been as follows:-

| | <u>FY2007</u> | <u>After the acquisition of New Shares</u> | <u>After the acquisition of New Shares and Additional New Shares</u> |
|-------------|---------------|--|--|
| EPS (cents) | 3.62 | 3.31 | 3.02 |

(10) *The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction*

(a) Synergies

The Company manufactures components used in disk drives, consumer electronic devices and automotive products. The Investee manufactures components used in consumer electronic, electrical, industrial & commercial, automotive and medical devices. The core competencies of both the Company and the Investee are in precision engineering, metal stamping, plastic injection molding and assembly.

Commonalities in terms of markets and customers and core competencies are expected to result in increased productivity in the areas of marketing and manufacturing through resources sharing and elimination of duplication.

(b) New Businesses

The Investee's medical components business represents a new business area for the Company for which it sees good potential. Investment in the Investee will provide the Company with an easier route into the medical business than through organic growth.

- (11) *Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests*

None of the Directors or controlling shareholders has any interest, direct or indirect, in the Share Acquisition.

- (12) *Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction*

Not applicable, no directors have been identified for appointment to the Board of the Company in connection with the Share Acquisition.

Documents for Inspection

A copy of the Investment Agreement and the Debenture is available for inspection during normal office hours at the Company's registered office for three (3) months from the date hereof:

By Order of the Board

Sin Kwong Wah Andrew
Chief Executive Officer

4 February 2008