



Giken Sakata (S) Limited (RCB No :197903879W)

INVESTMENT AGREEMENT IN RELATION TO THE PROPOSED INVESTMENT BY MIYOSHI PRECISION 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 Miyoshi Precision Limited (the "**Investor**") 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 Investor grants to the Company an initial loan in principal amount of S\$1.5 million (the "**Initial Loan**"), for which the Company grants the Investor an option to convert the Initial Loan into 23,529,411 new ordinary shares ("**New Shares**") in the issued share capital of the Company. The repayment of the Initial Loan will be offset by the subscription consideration for the New Shares issued by the Company to the Investor. The Company may only make a drawdown on the Initial Loan on a date to be agreed by the Company and the Investor in writing (the "**Initial Drawdown Date**").
- (ii) Subject to the fulfilment of the Conversion Conditions (as defined below), the Investor 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 Company as at 31 March 2007).
- (iii) Subject to the fulfilment of the Drawdown Conditions (as defined below), the Investor may grant to the Company additional loans of up to S\$1.5 million (the "**Additional Loan**"), for which the Company grants the Investor an option to convert the Additional Loan (or any part thereof) to new ordinary shares (the "**Additional New Shares**") in the issued share capital of the Company. 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 Investor ("**Availability Period**"). 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 is the sum of S\$0.03234 per Additional New Share which is a 30% discount from the unaudited net tangible asset per share in the Company as at 30 September 2007.
- (iv) If any of the Drawdown Conditions is not fulfilled and not waived by the Investor 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 “**Loans**”) shall be used by the Company for the purpose of funding its operations.
- (vi) The Company shall pay to the Investor interest on the Loans 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 Investor.
- (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 Investor shall have the right, by giving 3 months’ written notice to the Company, 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 Investor shall have the right, by giving 3 months’ written notice to the Company, to recall the Additional Loan (or any part thereof).
- (ix) The Company shall procure that the Initial Loan and the Additional Loan shall be secured by a debenture granted by the Company comprising a fixed and floating charge over all property and assets of the Company (the “**Debenture**”) to the Investor. The Initial Loan shall be secured by the Debenture until such discharge upon the issue of the New Shares or repayment (as the case may be). The Additional Loan if disbursed during the Availability Period shall also be secured by the Debenture for 12 months from the date of the last drawdown of the Additional Loan. (The Company and the Investor have executed the Debenture which is dated 4 February 2008).
- (x) The occurrence of, *inter alia*, the following events shall entitle the Investor to declare an event of default on the Loans:
 - (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 Company 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 Investor that an event of default has occurred:-

- (c) 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 Investor gives notice in writing to the Company declaring an event of default;
- (d) the obligations of the Investor under the Investment Agreement shall be automatically and forthwith cancelled without prejudice to its accrued rights under the same; and
- (e) it shall be lawful for the Investor to exercise all or any rights, powers and remedies under the Investment Agreement or any of them in any manner and in any order as the Investor may determine.

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

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

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

Conversion Conditions

The exercise by the Investor of its option to convert the Initial Loan and the Additional Loan to New Shares and the Additional New Shares respectively are subject to certain conditions precedent being fulfilled including the requisite approvals being obtained 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 Company for, *inter alia*, the entry by the Company into the Investment Agreement and the allotment and issue of the New Shares and Additional New Shares to the Investor 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 Investor;
- (iv) the Investor obtaining a waiver (the "**Whitewash Waiver**") from the Securities Industry Council 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 Company not already owned by the Investor as a result of the grant of the right ("**Conversion Right**") to the Investor to convert the Initial Loan and the Additional Loan into the New Shares

and the Additional Shares respectively; and the allotment and issue of the New Shares and the Additional New Shares;

- (v) the approval from the shareholders of the Company independent of the Investor by a resolution (the "**Whitewash Resolution**") waiving their rights to receive a general offer from the Investor and the parties acting in concert with the Investor under Rule 14 of the Code as a result of the grant of the Conversion Right and the issue and allotment of the New Shares and the Additional New Shares; and
- (vi) where the AIP and the Whitewash Waiver referred to above is granted subject to any conditions, such conditions being acceptable to the Company and the Investor and such conditions being satisfied prior to the allotment and issue of the New Shares and the Additional New Shares.

Financial Effects of the Proposed Investment

Assuming the disbursement in full of the Loans and the complete exercise of the Conversion Right by the Investor, the issue of the New Shares and the Additional New Shares will increase the issued and paid-up ordinary share capital of the Company as at the date of this announcement by approximately 16.4% from S\$18,331,904 comprising 61,598,057 ordinary shares to S\$21,331,904 comprising 131,509,657 ordinary shares. The net tangible assets per share of the Company and its subsidiaries (the "**Group**") as at 31 March 2007 based on the audited financial statements of the Group was 7.5 cents. After adjusting for the issue of the New Shares and the Additional New Shares, the Group net tangible assets per share, as at 31 March 2007 would be 5.7 cents.

Directors' Interest

Save for their respective interest in the Company, none of the Directors or controlling shareholders has any interest, direct or indirect, in the Proposed Investment.

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

Eiju Yokota
President

4 February 2008