

Dated 4 September 2017

- (1) **Precision Tsugami (China) Corporation Limited** (津上精密機床(中國)有限公司)
- (2) **Tsugami Corporation** (株式会社ツガミ)

MASTER SALES AGREEMENT

总销售协议

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THIS AGREEMENT is made on 4 September 2017

BETWEEN:

- (1) **Precision Tsugami (China) Corporation Limited** (津上精密機床(中國)有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands (the "**Company**"); and
- (2) **Tsugami Corporation** (株式会社ツガミ), an exempted company incorporated in Japan whose registered office is at Nihonbashi T&D Building, 12-20 Nihonbashi Tomizawa-cho, Chuo-ku, Tokyo, Japan ("**Tsugami Japan**", together with its subsidiaries but excluding the Company and its subsidiaries, the "**Tsugami Japan Group**").

(each a "**Party**" and together, the "**Parties**")

WHEREAS:

- (a) The Company has applied to the Stock Exchange (as defined below) for the permission of its shares to be listed on the Stock Exchange (the "**Listing**").
- (b) Members of the Group (as defined below) have entered into, and will continue to enter into, Transactions (as defined below) with the Tsugami Japan Group.
- (c) Tsugami Japan is a controlling shareholder of the Company under the Listing Rules (as defined below) and hence, each of Tsugami Japan and its subsidiaries and their respective associates is a connected person of the Company under Rule 14A.07(1) of the Listing Rules.
- (d) The Transactions (as defined below) are continuing connected transactions (within the meaning of the Listing Rules) for the Company.
- (e) The Parties agree that the Company and the Tsugami Japan Group shall enter into, renew or extend agreements in respect of all Transactions on the terms of this Agreement and in accordance with the Listing Rules.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement (including the Recitals) the following words and expression shall, unless the context otherwise requires, have the following meanings:

Annual Caps means the maximum annual aggregate consideration payable by Tsugami Japan Group to the Group in respect of the relevant Transactions during the term of this Agreement, which shall not exceed the maximum annual value

set in accordance with the Listing Rules and as disclosed in the Prospectus (as defined below);

Applicable Laws means and includes all applicable laws, rules, regulations, orders, judgements, decrees, guidelines, opinions, notices, circulars or rulings of any court, Governmental Authority applicable to each Party;

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are open for normal banking business;

connected person has the meaning given to it in the Listing Rules;

connected transaction has the meaning given to it in the Listing Rules;

controlling shareholder has the meaning given to it in the Listing Rules;

Definitive Agreement(s) means definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the Tsugami Japan Group from time to time in relation to any of the Transactions at any time during the term of this Agreement;

Effective Date means the date of the Listing, which is expected to be on or about 25 September 2017;

Governmental Authority means any public, regulatory, taxing, administrative or governmental, agency or authority (including, without limitation, the Stock Exchange, the Tokyo Stock Exchange and the Securities and Futures Commission), other authority and any court at the national, provincial, municipal or local level;

Group means the Company and its subsidiaries from time to time;

Hong Kong means the Hong Kong Special Administrative Region of the PRC;

Initial Term has the meaning given to it under Clause 4.1;

Listing Rules means the Rules Governing the Listing of Securities on the Stock Exchange as amended and supplemented from time to time;

PRC means the People's Republic of China, which, for the purpose of this Agreement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;

Prospectus means the prospectus to be issued by the Company;

subsidiary has the meaning given to it in the Listing Rules;

Stock Exchange means The Stock Exchange of Hong Kong Limited;

Transactions means all existing and future transactions in respect of the sale of the CNC high precision machine tools by members of the Group to members of the Tsugami Japan Group; and

Working Hours means 9:00 a.m. to 6:00 p.m. on a Business Day.

1.2 In this Agreement, unless the context otherwise requires:

1.2.1 references to the singular includes a reference to the plural and vice versa;

1.2.2 references to times and dates are references to Hong Kong times and Hong Kong dates, respectively;

1.2.3 references to any Recital or Clause is to a recital or clause (as the case may be) of, or to, this Agreement; and

1.2.4 the headings are inserted for convenience only and shall not affect the construction of this Agreement.

2. GENERAL TERMS FOR TRANSACTIONS

2.1 At any time during the term of this Agreement, members of the Group may from time to time enter into Definitive Agreement(s) with members of the Tsugami Japan Group in relation to any Transaction(s) upon, and subject to, the terms and conditions in compliance with those of this Agreement as may be agreed between members of the Group and members of the Tsugami Japan Group.

2.2 The Parties agree that, from the Effective Date, the Transactions shall be conducted:

2.2.1 in the usual and ordinary course of business of the Group and the Tsugami Japan Group, as the case may be;

2.2.2 on normal commercial terms or better and on terms which are fair and reasonable, and for a consideration for each Definitive Agreement that is in line with similar products provided to independent third parties in the market; and

2.2.3 in compliance with all applicable laws, regulations, rules and provisions of any stock exchange (including the Annual Caps) or any regulatory body applicable to each Party, this Agreement and the relevant Definitive Agreement.

2.3 The Annual Caps can be revised, amended and modified upon written confirmation by the Parties in compliance with all applicable laws or regulations or rules of any stock exchange or regulatory body applicable to each Party.

- 2.4 The Parties agree that in the event of any conflict between the terms of this Agreement and the terms of any Definitive Agreement or invoices or other terms that may be entered into or agreed or acknowledged by Parties in relation to the Transactions, the terms of this Agreement shall prevail.
- 2.5 The execution and performance of this Agreement will not conflict with the deed of non-competition entered into between the Company and Tsugami Japan on 4 September 2017.

3. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

- 3.1 The Company represents and warrants to the Tsugami Japan Group that:
- 3.1.1 it is a company legally established and validly existing under the laws of the Cayman Islands; and
 - 3.1.2 it is duly authorised and has capacity to execute and be bound by this Agreement and shall be capable of performing its obligations under this Agreement.
- 3.2 Tsugami Japan represents and warrants to the Company that:
- 3.2.1 it is a company legally established and validly existing under the laws of Japan;
 - 3.2.2 its subsidiaries are companies legally established and validly existing under the laws of their respective place of incorporation; and
 - 3.2.3 it is duly authorised and has capacity to execute and be bound by this Agreement and shall be capable of performing its obligations under this Agreement.
- 3.3 For the principal purpose of enabling the Company to comply with its obligations under the Listing Rules, Tsugami Japan undertakes to the Company to allow (and procure members of the Tsugami Japan Group to allow) the Company's independent non-executive directors and auditors (or such other persons duly authorised by the Company) sufficient access to its records for the purpose of reporting on the relevant Transactions to the extent (i) permissible by the laws and regulations applicable to each Party and (ii) necessary for the compliance with the laws, regulations or rules of any stock exchange or regulatory body applicable to each Party. For such purpose, Tsugami Japan shall (and shall procure members of the Tsugami Japan Group to) give such information and assistance as the Company's independent non-executive directors and auditors may reasonably request. The Company's independent non-executive directors and auditors shall notify Tsugami Japan of any such review in writing at least fifteen (15) Business Days or such a date as may be mutually agreed by the Parties in advance.

4. DURATION AND TERMINATION

- 4.1 This Agreement shall commence on the Effective Date, and shall continue up to and including 31 March 2020 (the "**Initial Term**")¹, unless terminated earlier in accordance with this Clause or Clause 4.2. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the Parties is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Initial Term or subsequent renewal term, this Agreement is automatically renewed for a successive period of three (3) years thereafter (or such other period permitted under the Listing Rules), provided always that any of the Parties shall have the right to unilaterally terminate this Agreement at any time during the Initial Term or any subsequent renewal term by giving to all of the other Parties not less than thirty (30) Business Days' prior written notice unless such termination would result a breach of then relevant requirements of the rules of any stock exchange or any laws or regulations to which any of the Parties is subject to, including, but not limited to, the Listing Rules, or any waivers thereof.
- 4.2 Without prejudice to the Parties' right to terminate this Agreement under Clause 4.1, a Party shall be entitled to terminate this Agreement with immediate effect if:
- 4.2.1 The Tsugami Japan Group ceases to be a connected person or fall outside the definition of a connected person of the Company under the Listing Rules, or the Transactions cease to be subject to the Listing Rules in relation to connected transactions;
 - 4.2.2 another Party commits any continuing or material breach of any of the provisions of this Agreement (save for any breach which is caused by the Party seeking to rely on it) and, in the case of such a breach which is capable of remedy, fails to remedy the same within thirty (30) Business Days after receipt of a written notice giving full particulars of the breach and requiring it to be remedied;
 - 4.2.3 another Party makes any voluntary arrangement with its creditors or becomes subject to an administration order;
 - 4.2.4 another Party goes into liquidation (except for the purposes of an amalgamation, reconstruction or other reorganisation and in such manner that the company resulting from the reorganisation effectively agrees to be bound by, or to assume the obligations imposed on, that other Party under this Agreement with the prior written consent of the Party seeking to rely on it); or

¹ Under the Listing Rules, terms of a connected transaction agreement must not exceed three years.

- 4.2.5 another Party ceases, or threatens to cease, to carry on business.
- 4.3 For the purpose of Clause 4.2.2, a breach shall be considered capable of remedy if the Party in breach can comply with the provision in question in all respects other than as to the time of performance (provided that time of performance is not of the essence).
- 4.4 Any waiver by a Party of a breach of any provision of this Agreement shall not be considered as a waiver of any subsequent breach of the same or any other provision.
- 4.5 The rights to terminate this Agreement given by this Clause 4 shall not prejudice any other right or remedy of a Party in respect of the breach concerned (if any) or any other breach.

5. NOTICES

- 5.1 Any notice, request, or other communication shall only be effective if it is in writing. Faxes are permitted.
- 5.2 Every notice, request, or other communication under this Agreement shall be sent to a Party at its address or number and for the attention of the individual set out below:

5.2.1 To Company at:

No. 2001 Pingcheng Road, Pinghu Economic Development Zone,
Zhejiang, PRC

Telephone: (86) 573 8526 8718

Facsimile: (86) 573 8528 8970

Attention: Tang Donglei

5.2.2 To Tsugami Japan at:

Nihonbashi T&D Building, 12-20 Nihonbashi Tomizawa-cho, Chuo-ku,
Tokyo, Japan

Telephone: (81)3-3808-1171

Facsimile: (81)3-3808-1511

Attention: Takao Nishijima

or to such other address or facsimile number as is notified by a Party to the other Party from time to time.

5.3 Any notice, request, or other communication given under this Agreement shall, in the absence of earlier receipt, be deemed to have been duly given as follows:

5.3.1 if delivered personally, on delivery;

5.3.2 if sent by post, two (2) clear Business Days after the date of posting;
and

5.3.3 if sent by facsimile, when despatched with confirmed answerback.

Any notice given under this Agreement outside Working Hours shall be deemed not to have been given until the start of the next period of Working Hours.

6. GENERAL PROVISIONS

6.1 Each Party shall pay its own costs relating to the preparation, execution and performance by it of this Agreement and each document referred to in this Agreement.

6.2 Nothing in this Agreement shall create, or be deemed to create, any binding obligations between the Parties to enter into any Transactions.

6.3 No Party to this Agreement shall assign, transfer, charge or otherwise deal with all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in it without the prior written consent of all of the other Parties.

6.4 This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by email attachment or telecopy shall be an effective mode of delivery.

6.5 No amendment of this Agreement (or of any of the documents referred to in this Agreement) shall be valid unless it is in writing and signed by or on behalf of all Parties.

6.6 Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable in any respect under the law of any jurisdiction it shall have no effect in that respect and the Parties shall use all reasonable efforts to replace it by a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

6.7 This Agreement contains the entire agreement between the Parties hereto with respect to the subject matter hereof, and supersedes all previous agreements and understandings between the Parties in relation to the subject matter. The Definitive Agreements shall, subject to this Agreement, contain the entire

agreement between the parties thereto with respect to the subject matter thereof, and shall supersede all previous agreements and understandings (except this Agreement) between the parties.

6.8 If at any time any provision of this Agreement is or becomes illegal, invalid, void, voidable or unenforceable, in whole or in part, in any respect under the law of any jurisdiction, that shall not affect or impair:

6.8.1 the legality, validity or enforceability in that jurisdiction of the remainder of and/or any other provision of this Agreement; or

6.8.2 the legality, validity or enforceability under the law of any other jurisdiction of the remainder and/or any other provision of this Agreement.

7. GOVERNING LAW AND JURISDICTION

7.1 This Agreement shall be governed by, and construed in accordance with, the laws of Japan.

7.2 All disputes, controversies, or differences which may arise between the Parties, out of, in relation to or in connection with this Agreement shall be finally settled by arbitration in Tokyo, Japan in accordance with the Commercial Arbitration Rules of the Japan Commercial Arbitration Association. The award rendered by the arbitrator(s) shall be final and binding upon the Parties.

IN WITNESS WHEREOF this Agreement has been duly executed on the date first above written.

SIGNED by *Tang Donglei*
for and on behalf of
PRECISION TSUGAMI (CHINA)
CORPORATION LIMITED
(津上精密機床(中國)有限公司)

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唐東雷

By: *Tang Donglei*
Authorized Signatory

SIGNED by Takao Nishijima
for and on behalf of
TSUGAMI CORPORATION (株式会社ツガミ)

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)
) 西崎 尚生

By: Takao Nishijima
Representative Director