

## MIYOSHI LIMITED

(Incorporated in the Republic of Singapore)

Company Registration Number: 198703979K

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## PROPOSED INCREASE OF INVESTMENT IN CORE POWER (FUJIAN) NEW ENERGY AUTOMOBILE CO., LTD

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### 1. Introduction

The board of directors (the “**Board**”) of Miyoshi Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) refers to the announcement dated 20 June 2016 where the Company had entered into a joint venture agreement with Core Power (Fujian) Electric Co., to develop, manufacture, assemble and sell electric vehicles (“**EV Project**”) in the People’s Republic of China (“**PRC**”) via a 15% interest in Core Power (Fujian) New Energy Automobile Co., Ltd, (the “**JV Company**”).

On 18 May 2018, the Company completed the placement of 115,000,000 new ordinary shares in the capital of the Company to raise net proceeds of S\$6.8 million. As disclosed in the results announcement for the third quarter of financial year 2018, the Company had been in negotiations for an increased stake in the JV Company.

Pursuant to the above, the Board is pleased to announce that the Company has entered into an agreement (“**Agreement**”) with Core Power (Fujian) Electric Co., Ltd (中科动力(福建)电气科技有限公司) (“**Core Power Fujian**”), Fujian Kaibote Technology Co., Ltd (福州凯博特能源科技有限公司) (“**Kaibote Fujian**”) (collectively known as “**JV Partners**”) to increase the Company’s investment from 15% interest to 32% interest by way of new capital injection into the JV Company (the “**Investment**”).

The JV Company was incorporated on 13 November 2013, a private limited company in the People’s Republic of China (“**PRC**”) for the purposes of undertaking the EV Project.

### 2. Information on JV Partners

Core Power Fujian is a company incorporated in the PRC on 25 April 2006 with its registered office at Fuzhou City, Fujian Province. It is principally engaged in the sales of power generation equipment, electrical installation, electronic products and explosion-proof electrical products.

Kaibote Fujian is a company incorporated in the PRC on 25 July 2016 with its registered office at Fuzhou City, Fujian Province. It is principally engaged in the production and sales of lithium batteries, battery management system, equipment and components for automotive business.

### 3. Shareholding interest in the JV Company

As at the date of this announcement, the registered capital of the JV Company is RMB200 million (“**CP Shares**”).

The shareholdings of the JV Partners in the JV Company prior to the Investment is as follow:

<u>Before the Investment</u>	<u>Amount of Investment (RMB)</u>	<u>% of Shareholdings</u>
Core Power (Fujian)	130,000,000	65%
Kaibote Fujian	40,000,000	20%
Miyoshi Limited	30,000,000	15%
<b>Total</b>	<b>200,000,000</b>	<b>100%</b>

The Company intends to increase its investment in JV Company by way of new capital injection of RMB50 million (“**Proposed Acquisition**”). Upon the Completion (as defined below), the shareholding interests of the Company in the JV Company shall be 32%:

<u>After Completion of the Investment</u>	<u>Amount of Investment (RMB)</u>	<u>% of Shareholdings</u>
Core Power (Fujian)	130,000,000	52%
Kaibote Fujian	40,000,000	16%
Miyoshi Limited	80,000,000	32%
<b>Total</b>	<b>250,000,000</b>	<b>100%</b>

#### 4. Consideration

AV Capital (the “**Valuer**”) was commissioned by the Company to undertake a valuation of the JV Company on an annual basis (i.e. does not factor any benefits that the Company may derive as a result of the Investment). The latest annual valuation performed by the Valuer indicated that the Investment as at 31 August 2017 is reasonably estimated at RMB43.8 million or S\$9.0 million (based on exchange rate of RMB4.867 to SGD1 as at 31 August 2017).

As at 31 December 2017, the unaudited net asset value of the JV Company amounted to RMB159.4 million or S\$32.8 million (based on exchange rate of RMB4.865 to SGD1 as at 31 December 2017).

The consideration of RMB50 million or approximately S\$10.0 million (based on exchange rate of RMB5.013 to SGD1 as at 31 July 2018) was mutually arrived at after arms’ length negotiations between the Company and the JV Partners on a willing-buyer, willing seller basis, taking into account (i) the business potential for the Group in the EV Project and (ii) the valuation of the JV Company undertaken by the valuer.

The injection of new capital of RMB50 million into the JV Company is mainly to fund the upgrade of the production facilities and purchase of new equipment which will be used to support production of electric vehicles following its recent major contract win to supply 50,000 all-electric vehicles to Jiangxi Changhe Co., Ltd.

#### Source of Funds

The Investment will be funded by proceeds from the share placement completed on 18 May 2018, bank borrowings and internal cash resources of the Company and shall be paid to the JV Company, on or before the date of Completion.

#### 5. Conditions precedent attached to the Agreement

Completion (as defined below) is subject to the following conditions precedent (“**Conditions Precedent**”):

- (a) The results of the due diligence review (including but not limited to legal, financial, contractual, tax, valuation or otherwise) conducted in respect of the electric vehicles Project and all

businesses, undertakings and assets of the JV Company and its subsidiaries (the “**Business**”) and the JV Company being satisfactory to the Company in its sole discretion. For the avoidance of doubt, the Company shall not be required to provide any reason or basis for determining that the due diligence review of the Business and/or the JV Company is unsatisfactory;

- (b) No material or adverse changes to the financial conditions or operations of the JV Company;
- (c) The JV Company having no liabilities or obligations (whether actual, contingent, deferred or potential) other than in the ordinary course of trade, save as disclosed in writing to the Company prior to the execution of the Agreement and such additional liabilities incurred between execution of the Agreement and Completion as are permitted under this Agreement;
- (d) The approval of the SGX-ST having been obtained in relation to the transactions completed by this Agreement, if necessary;
- (e) There not being at any time prior to the Completion any restriction, limitation, prohibition or directive, whether written or verbal, from the SGX-ST limiting, prohibiting the entry into or performance by the Company of its obligations under this Agreement;
- (f) The approval by the board of directors and shareholders of the Company (if necessary) having been obtained; and
- (g) All necessary third party, governmental and regulatory consents, approvals and waivers where required for the transactions contemplated hereunder having been obtained, and such consents, approvals and waivers not having been amended or revoked before the Completion.

This Agreement provides that if the conditions precedent set out above are not fulfilled on or before the 25 January 2019, and such non-fulfillment is not waived by the Company in accordance with the Agreement, the Agreement shall *ipso facto* cease, lapse and determine.

## **6. Completion**

The completion of the Proposed Acquisition shall take place on such date as notified by the Company to the JV Partners, such date being a date set by the Company within 30 days of the satisfaction of the Conditions Precedent (the “**Completion**”).

## **7. Rationale of the Investment**

The Investment will help the Company to further expand its presence in the electric vehicles market in the PRC.

## **8. Financial Effects of the Investment**

The financial effects of the Investment on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Investment. The financial effects have been prepared on a proforma basis using the latest audited financial statements of the Group for the financial year ended 31 August 2017 (“**FY2017**”).

Effect of Proposed Investment on Net Tangible Asset (“**NTA**”) per Share

Assuming that the Proposed Investment had been completed on 31 August 2017 and based on the Group's latest audited consolidated financial statements for FY2017, the effects on the NTA per share of the Group are as follows:

As at 31 August 2017	Before the Investment	After Completion of the Investment
NTA (S\$'000s)	66,198 <sup>(1)</sup>	66,018 <sup>(1)</sup>
Number of Issued Shares	609,029,490 <sup>(1)</sup>	609,029,490 <sup>(1)</sup>
NTA per share (cents)	10.87	10.84

**Note:**

<sup>(1)</sup> For the above, the share placement of 115,000,000 shares for net proceeds of S\$6.8 million completed on 18 May 2018 was included in the NTA and number of issued shares.

Effect of Proposed Investment on Earning per Share

Assuming that the Proposed Investment had been completed on 1 September 2016 and based on the Group's latest audited consolidated financial statements for FY2017, the Proposed Investment would have the following effects on the Group's Earnings per Share as presented in the following table:

As at 31 August 2017	Before the Investment	After Completion of the Investment
Consolidated net profit attributable to shareholders (S\$000)	2,207	2,027
Weighted average number of shares	462,285,928	462,285,928
Earnings per share (cents)	0.48	0.44

Effect of the Investment on Group's Gearing

Assuming that the Proposed Investment had been completed on 31 August 2017 and based on the Group's latest audited consolidated financial statements for FY2017, the Proposed Investment would have the following effects on the Group's gearing as presented in the following table:

As at 31 August 2017	Before the Investment	After Completion of the Investment
Gearing (times)	0.18x	0.23x

**9. Relative Figures under Rule 1006**

The financial effects of the Investment set out below are for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Investment after the completion date.

Based on the audited consolidated financial statements of the Group for FY2017, the relative figures in respect of the Proposed Acquisition and the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are set out below.

#### Relative Figures under Rule 1006 in respect of the Investment

Rule 1006(a)	Net Asset Value Test	Not applicable
Rule 1006(b)	Profit Test	-14.8% <sup>(1)</sup>
Rule 1006(c)	Consideration Test	The consideration of approximately S\$10,000,000 for the Investment represents approximately 29.9% of the Company's market capitalization <sup>(2)</sup> of approximately S\$33.5 million
Rule 1006(d)	Equity Securities Test	Not applicable
Rule 1006(e)	Reserves Test	Not applicable

#### **Notes:**

- <sup>(1)</sup> For the financial year ended 31 December 2017, the JV Company incurred losses of RMB11.7 million or S\$2.4 million (based on exchange rate of RMB4.865 to SGD1 as at 31 December 2017). Based on the Group's incremental interest of 17% in the JV Company, the net loss attributable to the Investment amounts to S\$0.4 million. This represents -14.8% of the Group's profit before tax, minority interest and extraordinary items for the financial year ended 31 August 2017 of S\$2.7 million.
- <sup>(2)</sup> Based on the weighted average price of the Company's shares of S\$0.055 transacted on 30 July 2018, being the market day preceding the date of the Agreement and multiplied by 609,072,990 shares in issue.

#### **10. Interests of Directors and Controlling Shareholders**

None of the Directors and controlling shareholders of the Company has any interest, whether direct or indirect, in the Investment (other than through their shareholdings in the Company).

#### **11. Service Agreement**

There is no service agreement arising from the Investment.

#### **12. Directors' Responsibility Statement**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Investment, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

#### **13. Documents for Inspection**

Shareholders should note that a copy of the Agreement is available for inspection during normal business hours at the Company's registered office at No. 5 Second Chin Bee Road, Singapore 618772 for three (3) months from the date hereof.

#### **BY ORDER OF THE BOARD**

Andrew Sin Kwong Wah  
Executive Director and CEO

31 July 2018

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*This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this document.*

*The document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.*

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