

Miyoshi Limited

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

PROPOSED JOINT VENTURE WITH CORE POWER (FUJIAN) ELECTRIC CO., LTD AND ACQUISITION OF 15% SHAREHOLDING INTEREST IN CORE POWER (FUJIAN) NEW ENERGY AUTOMOBILE CO., LTD

1. Introduction

The Company wishes to announce that the Company and Core Power (Fujian) Electric Co., Ltd (the “**JV Partner**”) have on 20 June 2016 entered into a joint venture agreement (“**JVA**”) in relation to the Proposed Transactions (as defined below).

2. Information on the JV Partner

The JV Partner is a company incorporated in the People’s Republic of China (“**PRC**”) in 25 April 2006 with its registered office at Fuzhou City, Fujian Province.

The JV Partner is not related to any of the Directors or controlling shareholders of the Company and their respective associates.

3. Key Terms of the Proposed Joint Venture

Proposed Joint Venture

The Company and the JV Partner intends to enter into a joint venture in relation to the development, manufacture, assembly and sale of light electric vehicles in the PRC (“**LEV Project**”).

Joint Venture Company

The JV Partner has on 13 November 2013 incorporated Core Power (Fujian) New Energy Automobile Co., Ltd, a private limited company in the PRC for the purposes of undertaking the LEV Project (the “**JV Company**”). As at the date of this announcement, the registered capital of the JV Company is RMB100 million (“**CP Shares**”), with JV Partner being the major shareholder holding 80% of the shareholding interest in the JV Company. The remaining 20% of the shareholding interest in the JV Company is held by an individual who is an unrelated third party and is not related to any of the Directors or controlling shareholders of the Company and their respective associates.

The Company intends to acquire 15% of the shareholding interest in the JV Company (“**Proposed Acquisition**”). Upon the Completion (as defined below), the shareholding interests of the Company and the JV Partner in the JV Company shall be 15% and 65% respectively. The Company’s 15% shareholding interest in the JV Company shall be acquired from the JV Partner at an aggregate consideration of S\$8.8 million (“**Total Consideration**”), which will be satisfied as follows:

- (a) partially offset against the Disposal Consideration of S\$5.2 million arising from the sale of 55% of the entire issued capital of the Green Galaxy Limited (“**GGL**”) (“**Disposed Asset**”) by the Company to the JV Partner (“**Proposed Disposal**”, and together with the Proposed Acquisition, the “**Proposed Transactions**”); and
- (b) cash of S\$3.6 million, payable by the Company to the JV Partner on or before Completion.

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4. Key Terms of the Proposed Transactions

Proposed Acquisition

The Company's 15% shareholding interest in the JV Company will be obtained through the following acquisition of existing CP Shares and the sale of 55% of the entire issued capital of the GGL:

- a) The Company shall acquire from the JV Partner 15% of the entire share capital of the JV Company at the Total Consideration of S\$8.8 million; which will be satisfied by partially offsetting against the Disposal Consideration arising from the sale of the Disposed Asset, and cash payable to the JV Partner of S\$3.6 million, on or before the date of Completion.
- b) Following Completion, the JV Company will become a 15% investment of the Company.
- c) DTZ Cushman and Wakefield (the "**Valuer**") was commissioned by the Company to undertake a valuation of the JV Company on a stand-alone basis (i.e. it does not factor in any benefits that the Company may derive as a result of the Proposed Transactions). The stand-alone valuation performed by the Valuer indicates that the entire (100%) equity value of the JV Company as at 30 April 2016 is reasonably estimated as RMB331 million (approximately S\$68.1 million)⁽¹⁾.

Note:

- (1) For the purposes of this announcement, the foreign exchange rate applied is S\$1:RMB4.858

The Total Consideration for the Proposed Acquisition was mutually arrived at after arms' length negotiations between the Company and the JV Partner on a willing-buyer, willing-seller basis, taking into account:

- i. The business potential for the Group in the LEV Project; and
- ii. The valuation of the JV Company undertaken by the Valuer.

The Proposed Disposal

As stipulated above, the Company will be disposing of all of its shares in GGL, representing 55% of the total issued share capital of GGL, as part of the Total Consideration. GGL is an investment holding company, with its subsidiaries involved in the LEV Project. As announced by the Company on 26 August 2014 in the announcement entitled "*(1) Entry into of Joint Venture Agreement in relation to a proposed joint venture with Promise New Energy Development Ltd and the proposed acquisitions of shares representing 55% of the entire issued share capital of the joint venture company; (2) Proposed allotment and issue of 32,000,000 new shares in the capital of the company as part of the consideration pursuant to the proposed acquisitions*", the remaining 45% of the total issued share capital of GGL is held by Promise New Energy Development Ltd.

The consideration of the Proposed Disposal, which shall be partially offset against the Total Consideration, is S\$5.2 million ("**Disposal Consideration**"). The Disposal Consideration was mutually arrived at after arms' length negotiations between the

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Company and the JV Partner on a willing-buyer, willing-seller basis, taking into account the net asset value of GGL of S\$5,173,000 as at 31 August 2015 and the net loss of S\$359,000 attributable to GGL as at 31 August 2015.

Based on the latest audited consolidated accounts of the Group for FY2015, the excess of the proceeds over the book value of the Disposed Asset is S\$27,000, and the gain on disposal arising from the Proposed Disposal is S\$590,000.

Completion of the Proposed Disposal shall take place on the same day as Completion. Following completion of the Proposed Disposal, the Company will cease to hold any shares of GGL, and GGL will cease to be a subsidiary of the Company.

Source of Funds

The Proposed Acquisition will be funded by the sale of 55% of the entire issued capital of GGL, borrowings and internal cash resources of the Company.

5. Conditions precedent attached to the Proposed Transactions

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 LEV Project and all businesses, undertakings and assets to be transferred to the JV Company and its subsidiaries by the JV Partner pursuant to the JVA (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 JVA and such additional liabilities incurred between execution of the JVA and Completion as are permitted under the JVA;
- (d) The JV Company obtaining all the relevant licences required for the LEV Project;
- (e) The JV Partner having purchased land from the local government in the city of Yong'an, Fujian Province;
- (f) The approval of the SGX-ST having been obtained in relation to the transactions completed by the JVA, if necessary;
- (g) 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 the JVA;

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- (h) The approval by the board of directors and shareholders of the Company (if necessary) having been obtained; and
- (i) 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.

The JVA provides that if the conditions precedent set out above are not fulfilled on or before the 31 August 2016, and such non-fulfillment is not waived by the Company in accordance the JVA, the JVA 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 Partner, such date being a date set by the Company within 30 days of the satisfaction of the Conditions Precedent (the "**Completion**"). Upon Completion, the Company, the JV Partner and the JV Company shall enter into a shareholders' agreement to regulate their respective rights and responsibilities as shareholders of the JV Company (the "**Shareholders' Agreement**").

7. Shareholders' Agreement

The Shareholders' Agreement provided for, inter alia, the following rights and obligations of the Company, the JV Partner, and the JV Company:

- (a) The Company, the JV Partner and the JV Company shall formulate a business plan specifying the marketing plans, finance arrangement, capital expenditures, activities and budget off the Business and the LEV Project, and the Business and the LEV Project shall be undertaken and operated in accordance with the business plan.
- (b) The Company and the JV Partner shall not sell, transfer, assign or otherwise dispose of any of its CP Shares without first making an offer in writing to sell such CP Shares to the JV Partner or the Company, as the case may be.
- (c) The Company, the JV Partner and the JV Company shall be bound by a non-competition covenant for as long as it remains a party of the Shareholders' Agreement, and for a period of three (3) years thereafter.

8. Rationale of the Proposed Transactions

The Proposed Transactions will help the Company to further expand its presence in the LEV market in the PRC.

9. Financial Effects of the Proposed Transactions

The financial effects of the Proposed Transactions 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 Proposed Transactions.

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 2015 ("**FY2015**").

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

Assuming that the Proposed Transactions had been completed on 31 August 2015 and based on the Group’s latest audited consolidated financial statements for FY2015, the effects on the NTA per share of the Group are as follows:

As at 31 August 2015	Before the Proposed Transactions	After the Completion of the Proposed Transactions
NTA (S\$’000s)	55,200	58,100
Number of issued Shares	452,669,490	452,669,490
NTA per share (S\$)	0.12	0.13

Effect of Proposed Transactions on Earning/(Loss) per Share

Assuming that the Proposed Transactions had been completed on 1 September 2014 and based on the Group’s latest audited consolidated financial statements for FY2015, the Proposed Transactions would have the following effects on the Group’s Earnings per Share as presented in the following table:

As at 31 August 2015	Before the Proposed Transactions	After the Completion of the Proposed Transactions
Consolidated net profit attributable to shareholders (S\$)	546,000	905,000
Weighted average number of Shares	444,866,750	444,866,750
Earnings per Share (cents)	0.12	0.20

Effect of Proposed Transactions on Group’s Gearing

Assuming that the Proposed Transactions had been completed on 31 August 2015 and based on the Group’s latest audited consolidated financial statements for FY2015, the Proposed Transactions would have the following effects on the Group’s gearing as presented in the following table:

As at 31 August 2015	Before the Proposed Transactions	After the Completion of the Proposed Transactions
Gearing (times)	0.11x	0.11x

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Effect of Proposed Transactions on Company's Share Capital

The Proposed Transactions would have the following effects on the issued share capital of the Company as presented in the following table:

As at 31 August 2015	Before the Proposed Transactions	Amount of Paid-up Capital (S\$)
Issued share capital as at the date of this announcement	452,669,490	39,388,715
Consideration Shares to be issued	-	-
Issued share capital upon completion of the Proposed Transactions	452,669,490	39,388,715

10. Relative Figures under Rule 1006

The financial effects of the Proposed Acquisition and the Proposed Disposal 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 Proposed Acquisition and the Proposed Disposal nor a projection of the future performance or position of the Group after the Completion Date.

Based on the audited consolidated financial statements of the Group for FY2015, 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 Proposed Acquisition

1006(a)	Net Asset Value Test	Not applicable as the Proposed Acquisition is an acquisition and not a disposal of assets.
1006(b)	Profit Test	Not meaningful ⁽¹⁾
1006(c)	Consideration Test	The Total Consideration of S\$8,800,00 for the Proposed Acquisition represents approximately 62.7% of the Company's market capitalization of approximately S\$14.0 million as at 17 June 2016 (being the last market day preceding the date of the JVA which trades were conducted).
1006(d)	Equity Securities Test	Not Applicable
1006(e)	Reserves Test	Not Applicable

Notes:

(1) The relative figure under Rule 1006(b) is not meaningful as the JV Company is loss-making since its incorporation on 13 November 2013.

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Relative Figures under Rule 1006 in respect of the Proposed Disposal

1006(a)	Net Asset Value Test	8.9%
1006(b)	Profit Test	Not meaningful ⁽¹⁾
1006(c)	Consideration Test	The Disposal Consideration of S\$5,200,00 for the Proposed Disposal represents approximately 37.1% of the Company's market capitalization of approximately S\$14.0 million as at 17 June 2016 (being the last market day preceding the date of the JVA which trades were conducted).
1006(d)	Equity Securities Test	Not Applicable
1006(e)	Reserves Test	Not Applicable

Notes:

(1) The relative figure under Rule 1006(b) is not meaningful as the Green Galaxy Limited is loss-making while the Group recorded a profit before tax of S\$1,231,000 for FY2015.

11. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any direct or indirect interest in the JV Company, the JVA and/or the Proposed Transactions, other than through their respective shareholdings in the Company.

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Transactions.

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 JVA and the Proposed Transactions, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

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13. Documents for Inspection

Shareholders should note that a copy of the JVA and the valuation report of the Valuer on the JV Company are 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

Sin Kwong Wah Andrew
Executive Chairman and Chief Executive Officer
Miyoshi Limited

20 June 2016

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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