

Miyoshi Precision Limited

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

- (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
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1. Introduction

The Board of Directors of Miyoshi Precision Limited (the “**Company**” and together with its subsidiaries the “**Group**”) refers to:

- (a) its announcement on 14 July 2014 entitled “*Entry into of Memorandum of Understanding in Relation to a Proposed Joint Venture with Promise New Energy Development Ltd and the Proposed Acquisition of Shares Representing 55% of the Entire Issued Share Capital of the Joint Venture Company*”; and
- (b) its announcement on 13 August 2014 entitled “*Updates on Memorandum of Understanding in Relation to a Proposed Joint Venture*”

(collectively, the “**Earlier Announcements**”). *Unless otherwise defined, the capitalized words and phrases used herein shall have the same meaning as ascribed to them in the Earlier Announcements.*

The Company wishes to announce that the Company and the JV Partner have on 26 August 2014 entered into a joint venture agreement (“**JVA**”) in relation to the Proposed Transactions.

2. Information on the JV Partner

The JV Partner is a company incorporated in Hong Kong on 18 February 2013. The JV Partner is engaged in the business of researching, developing, marketing and selling environmental friendly battery products, including power banks and electric vehicles. The directors of the JV Partner are Tao Hong Ming and Yip Chun Kwan. Tao Hong Ming has over 20 years of experience in the manufacturing and consumer electronics industry, and Yip Chun Kwan has over 15 years of working experience and knowledge in a wide range of electronic devices and components.

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 an electric vehicle project, focusing on light electric vehicles, in the People's Republic of China (the “**LEV Project**”).

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Joint Venture Company

The JV Partner has on 18 July 2014 incorporated Green Galaxy Limited, a new private limited company in Hong Kong for the purposes of the Proposed Transactions (the "**JV Company**"). As at the date of this announcement, the issued and paid-up share capital of the JV Company is HKD10,000.00, consisting of 10,000 shares ("**GGL Shares**"), with the JV Partner being the sole shareholder. The directors of the JV Company are Tao Hong Ming and Yip Chun Kwan. The JV Company shall further incorporate a wholly-owned subsidiary in Jiangxi, the People's Republic of China ("**PRC**"), or such other territory as may be agreed between the Company and the JV Partner, to undertake the LEV Project (the "**PRC Subsidiary**").

Upon the First Completion (as defined below) and the Second Completion (as defined below) (collectively, the "**Completion**"), the shareholding interests of the Company and the JV Partner in the JV Company shall be 55% and 45% respectively. The Company's 55% shareholding interest in the JV Company shall be acquired through the acquisition of existing GGL Shares and subscriptions of new GGL Shares, cumulatively representing 55% of the entire issued share capital of the JV Company at an aggregate consideration of S\$3.0 million ("**Total Consideration**").

Upon the execution of the JVA, the Company shall be entitled to appoint up to three (3) directors on the board of the JV Company.

Technical Collaboration with The Hong Kong Polytechnic University

The JV Company may enter into a technical collaboration with The Hong Kong Polytechnic University in relation to the LEV Project, which will subsequently be documented via a collaboration agreement.

4. Key Terms of the Proposed Acquisitions

Proposed Acquisitions

The Company's 55% shareholding interest in the JV Company will be obtained through the following acquisition of existing GGL Shares and subscription of new GGL Shares:

- (a) The Company will subscribe for 2,245 new GGL Shares, for an aggregate consideration of S\$1,000,000, which will be paid as cash into the JV Company as issued and paid up capital. The new GGL Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing GGL Shares in the issued and paid-up share capital of the JV Company.

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The subscription of the new GGL Shares shall take place in the following manner:

- (i) 561 new GGL Shares, representing 5.31% of the enlarged share capital of the JV Company after the issuance of such 561 new GGL Shares, shall be issued on the date of the First Completion. Against the issue of such 561 new GGL Shares, the Company shall pay into the JV Company, a sum of S\$250,000, on the date of the First Completion (the **"Proposed First Subscription"**); and
- (ii) 1,684 new GGL Shares shall be issued to the Company on the date of the Second Completion, such that the Company will have, upon such subscription and taking into account the Proposed First Subscription and the Proposed Acquisition, an aggregate of 55% shareholding interest in the entire issued share capital of the JV Company (the **"Proposed Second Subscription"**). The consideration for the Proposed Second Subscription will be S\$750,000, payable in cash by the Company into the JV Company, on the date of the Second Completion.
- (b) The Company shall acquire from the JV Partner 4,490 existing GGL Shares, representing 42.5% of the entire issued share capital of the JV Company after taking into account the Proposed First Subscription (the **"Proposed Acquisition"**), at a consideration of S\$2,000,000; which will be satisfied by the issuance of 32,000,000 new shares (**"Shares"**) in the Company (**"Consideration Shares"**), at the issue price of S\$0.0625 per Consideration Share, to the following entities and/or individuals nominated by the JV Company to be the holders of the Consideration Shares, on the date of the Second Completion:

Name of Entity / Individual	Number of Consideration Shares to be Issued
Yip Chun Kwan	10,000,000
Cheang Chee Ming	8,000,000
Lim Lee Eng	8,000,000
Tao Hong Ming	6,000,000

The Consideration Shares will be issued out of the general share issue mandate resolution approved by the shareholders of the Company at the annual general meeting held on 27 December 2013 pursuant to Section 161 of the Companies Act.

The issue price of S\$0.0625 represents a discount of approximately 4.0% to the last transacted price of the Company's Shares of S\$0.065 on the Mainboard of

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the Singapore Exchange Securities Trading Limited ("SGX-ST") on 26 August 2014, being the last traded price on the market day preceding the date of this Announcement.

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares in the issued and paid-up share capital of the Company. An application will be made by the Company for the listing and quotation of the Consideration Shares on the Mainboard of the SGX-ST after execution of the JVA.

The Consideration Shares will represent approximately 7.6% of the issued and paid-up share capital of the Company as at the date of this announcement (being 420,669,490 Shares) and approximately 7.07% of the enlarged issued and paid-up share capital of the Company immediately after the allotment and issue of the Consideration Shares (being 452,669,490 Shares).

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

	No. of Shares in the capital of GGL	Amount of Paid-up Capital (HK\$)
Issued share capital as at the date of this announcement	10,000	10,000
New GGL Shares to be issued to the Company	2,245	6,200,000 ⁽¹⁾
Issued share capital of the JV Company upon Completion	12,245	6,210,000 ⁽¹⁾

Note:

- (1) For the purposes of this announcement, the foreign exchange rate applied is S\$1: HK\$6.20.

Following Completion, the JV Company will become a 55% subsidiary of the Company. The JV Partner will remain as the only shareholder of the remaining 45% of the issued share capital of the JV Company following Completion.

AV CAPITAL Pte Ltd (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 indicate that the entire (100%) equity value of the JV Company is in the range between

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US\$18.9 million (approximately S\$23.5 million) to US\$20.3 million (approximately S\$25.3 million)⁽¹⁾.

Note:

- (1) For the purposes of this announcement, the foreign exchange rate applied is S\$1: US\$1.245

The Total Consideration for the Proposed Acquisitions 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 by the Valuer.

Source of funds

The Proposed Acquisitions will be funded by equity of the Company through the issuance of Consideration Shares, and existing internal cash resources.

5. Conditions precedent attached to the Proposed Transactions

The First Completion (as defined below) shall not be subject to any conditions precedent.

The Second 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 execution of the JVA and such

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additional liabilities incurred between execution of the JVA and the Second Completion as are permitted under the JVA;

- (d) the incorporation of the PRC Subsidiary, including the obtaining of all statutory approvals for the incorporation of the PRC Subsidiary;
- (e) the JV Partner, the JV Company and/or the subsidiaries of the JV Company obtaining all the relevant licences required for the LEV Project;
- (f) the JV Partner, the JV Company and/or the subsidiaries of the JV Company obtaining the approval of the local government to purchase land in a city in the Jiangxi Province of China and/or such other areas as mutually agreed in writing by the Company and the JV Partner;
- (g) the JV Partner, the JV Company and/or the subsidiaries of the JV Company obtaining the relevant local government subsidies, on terms acceptable to the Company and the JV Partner;
- (h) The approval of the SGX-ST having been obtained in relation to the transactions contemplated by the JVA, if necessary;
- (i) The in-principle approval of the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST having been obtained and not having been revoked or amended and, where such approval is subject to conditions, to the extent that any conditions for the listing and quotation of the Consideration Shares on the SGX-ST are required to be fulfilled on or before the Second Completion, they are so fulfilled;
- (j) There not being at any time prior to the Second 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;
- (k) The approval by the board of directors and shareholders of the Company (if necessary) having been obtained; and
- (l) 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 Second Completion.

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The JVA provides that if the conditions precedent set out above are not fulfilled on or before the Long Stop Date (as defined below), and such non-fulfilment 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 First Subscription shall take place on such date as notified by the Company to the JV Partner, being a date within ten (10) business days of the date of the JVA (the **"First Completion"**).

The completion of the Proposed Second Subscription and 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 **"Second Completion"**). Upon the Second 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. Put Option

Pursuant to the JVA, the Company is granted a put option, to sell to the JV Partner, in whole and not in part only, the 561 GGL Shares issued in relation to the Proposed First Subscription, at a consideration of S\$250,000, within five (5) business days of the occurrence of any of the following events:

- (a) if the JVA has ceased, lapsed or determined if any of the conditions precedents under the JVA are not fulfilled (and such non-fulfilment is not waived by the Company) by 30 November 2014 (**"Long Stop Date"**); and
- (b) the Second Completion does not take place for any reasons whatsoever by the Long Stop Date.

Upon the completion of the Put Option, the JVA shall *ipso facto* cease, lapse and determine, and the JV Partner shall, provided the JV Partner is not in default of any terms of the JVA, be entitled to receive from the Company, a sum of S\$100,000 as agreed reasonable costs and expenses incurred by the JV Partner.

For the avoidance of doubt, the Put Option will automatically lapse upon the Second Completion.

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8. 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 board of directors of the JV Company will consist of up to five (5) directors, of which the Company is entitled to appoint up to three (3) directors, and the JV Partner is entitled to appoint up to two (2) directors.
- (c) The Company and the JV Partner shall not sell, transfer, assign or otherwise dispose of any of its GGL Shares without first making an offer in writing to sell such GGL Shares to the JV Partner or the Company, as the case may be.
- (d) 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.

9. Rationale of the Proposed Transactions

The Group has been loss making for the financial years ended 31 August 2011, 31 August 2012 and 31 August 2013, and was placed on the watch-list of the SGX-ST ("**Watch-List**") pursuant to Rule 1311 of the Listing Manual of the SGX-ST ("**Listing Manual**") with effect from 4 December 2013. The Company is required to meet the requirement of Rule 1314 of the Listing Manual within 24 months from 4 December 2013, failing which, the SGX-ST may either remove the Company from the Official List or suspend trading of the listed securities of the Company with a view to removing the Company from the Official List of the SGX-ST.

The Company is embarking on an active corporate restructuring exercise to turn around the performance of the Company and is desirous of potential acquisitions of new businesses and/or divestment of its existing subsidiaries or business units. The Company is also exploring new opportunities, and is positioning itself to tap new technologies and new markets as part of their new business strategy.

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The Proposed Transactions will provide the Company with an opportunity to acquire a profitable business and generate growth, which should improve its prospects with a view to exploring further opportunities in the electric vehicles sector. The Company is further of the view that the Proposed Transactions will facilitate the Company's efforts towards its removal from the Watch-List.

10. 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 announced financial statements of the Group for the financial year ended 31 August 2013 ("FY2013").

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

Assuming that the Proposed Transactions had been completed on 31 August 2013 and based on the Group's latest audited consolidated financial statements for FY2013, the effects on the NTA per Share of the Group are as follows:

As at 31 August 2013	Before the Proposed Transactions	After the Completion of the Proposed Transactions
NTA (S\$)	47,657,366	49,657,366
Number of issued Shares	420,669,490	452,669,490
NTA per Share (S\$)	0.113	0.110

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

Assuming that the Proposed Transactions has taken place on 1 September 2012 and based on the Group's latest audited consolidated financial statements for FY2013, the Proposed Transactions would have the following effects on the Group's earnings/(loss) per Share as presented in the following table:

As at 31 August 2013	Before the Proposed Transactions	After the Completion of the Proposed Transactions
Consolidated net loss attributable to shareholders (S\$)	(4,904,618)	(4,904,618)

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Weighted average number of Shares	420,170,490	452,170,490
Earnings/(Loss) per Share (S\$)	(0.0117)	(0.0108)

Effect of Proposed Transactions on Group's Gearing

Assuming that the Proposed Transactions has taken place on 31 August 2013 and based on the Group's latest audited consolidated financial statements for FY2013, the Proposed Transactions would have the following effects on the Group's gearing as presented in the following table:

As at 31 August 2013	Before the Proposed Transactions	After the Completion of the Proposed Transactions
Gearing (times)	0.15	0.14

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:

	No. of Shares in the capital of the Company	Amount of Paid-up Capital (S\$)
Issued share capital as at the date of this announcement	420,669,490	37,388,715
Consideration Shares to be issued	32,000,000	2,000,000
Issued share capital upon completion of the Proposed Transactions	452,669,490	39,388,715

11. Relative Figures Under Rule 1006

1006(a)	Net Asset Value Test	Not Applicable as the Proposed Transactions is an acquisition and not a disposal of assets.
1006(b)	Profit Test	Not Meaningful ⁽¹⁾

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1006(c)	Consideration Test	The Total Consideration of S\$3,000,000 for the Proposed Acquisitions represents approximately 11.0% of the Company's market capitalization of approximately S\$27,343,516.85 as at 26 August 2014 (being the last market day preceding the date of the JVA during which trades were conducted).
1006(d)	Equity Securities Test	The number of Consideration Shares to be issued by the Company (being 32,000,000 Shares), represents approximately 7.6% of the number of Shares previously in issue.
1006(e)	Reserves Test	Not Applicable.

Notes:

- (1) The Group recorded a net loss before tax of S\$4,904,618 for the financial year ended 31 August 2013, and the JV Company has only been incorporated on 18 July 2014 and has not yet commenced operations.

12. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company have 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.

13. 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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14. 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

Andrew Sin Kwong Wah
Chief Executive Officer
26 August 2014