

MIYOSHI LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 198703979K

**QUALIFIED OPINION BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 AUGUST 2020 AND VARIANCES BETWEEN THE UNAUDITED FULL
YEAR FINANCIAL RESULTS ANNOUNCEMENT AND AUDITED FINANCIAL STATEMENTS IN
RESPECT OF THE FINANCIAL YEAR ENDED 31 AUGUST 2020**

QUALIFIED OPINION

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”), the Board of Directors of Miyoshi Limited (the “**Company**”) and together with its subsidiaries, collectively the “**Group**”) would like to announce that its independent auditors, BDO LLP (the “**Auditors**”), have included a qualified opinion (the “**Qualified Opinion**”) on the financial statements of the Group for the financial year ended 31 August 2020 (“**FY2020**”) (the “**Financial Statements**”).

An extract of the nature and contents of the qualification contained in the Independent Auditor’s Report is annexed to this announcement. The Independent Auditor’s Report and the FY2020 Financial Statements will form part of the Company’s Annual Report for FY2020 (the “**FY2020 Annual Report**”) which will be published on SGXNET and the Company’s website. Please refer to the FY2020 Annual Report for further information.

Background

As announced in the FY2020 results announcement, the management of the Company and in Core Power (Fujian) New Energy Automobile Co., Ltd. (“**Core Power**”) have agreed to revise the Article of Association of Core Power on 30 July 2020. Following the revision, the Company no longer has the right to appoint a board representative in Core Power and accordingly the Company has relinquished its directorship and board representation in Core Power. The management is of the view that the Company does not have any significant influence over Core Power as the Company is not able to participate in any decision makings of Core Power. Accordingly, the investment is reclassified to financial asset designated at Fair Value Through Profit or Loss (“**FVTPL**”). Core Power ceased to be an associate from 30 July 2020 and the management discontinued the use of equity method of accounting. The Group’s share of associate’s loss amounting to \$1.1 million for period from 1 September 2019 to 30 July 2020 and loss arising from valuation of retained interest in Core Power amounting to \$17.7 million were included in the Group’s consolidated statement of comprehensive income for FY2020.

The management has further assessed and is of the view that the fair value of the financial assets at FVTPL as at 31 August 2020 to be \$Nil. However, in accordance with the SFRS(I) 9 *Financial Instruments*, the Company is required to perform an annual fair value assessment and adjustment to the fair value to be recognised in profit or loss. Due to the circumstances and difficulties faced by Core Power, the management does not expect any cash to be generated from the investment in Core Power in the near future. The assessment may require additional effort, time and cost for fair value exercise, and the management views that there is no economic benefit to incur additional resources in this fair value assessment at this juncture. Accordingly, the Company has not made any fair value adjustment on the financial assets at FVTPL from 30 July 2020 to 31 August 2020.

Qualified Opinion

The qualified opinion has been issued on the equity accounting on investment in associate before derecognition and valuation of financial assets at FVTPL.

The auditors’ opinion on the financial statements for the financial year ended 31 August 2019 was modified on the carrying amount of the Group’s and Company’s investment in associate as at 31 August 2019 and the Group’s equity accounting, which includes share of associate’s loss and foreign currency translation differences for the financial year then ended. The auditors were still not able to obtain sufficient appropriate audit evidence on the previous year’s audit qualification and the auditors were not able to ascertain the

carrying amount of the Group's and the Company's investment in associate for the financial year ended 31 August 2019 to be carried and brought forward in the financial statements. Consequently, the auditors' opinion in respect of the FY2020 financial statement is also modified because of the possible effect on the comparability of the current financial year's figure and corresponding figures.

In view of the current circumstance of Core Power's operations as disclosed in the paragraphs below, the audit of Core Power could not be performed in the current financial year. Consequently, the auditors were unable to obtain sufficient audit evidence on the equity accounting which includes the share of associate's loss of \$1.1 million and loss arising from valuation of retained interest in Core Power of \$17.7 million before derecognition.

For the reason stated above, the qualified opinion is issued on valuation on financial assets at FVTPL given that the auditors were unable to obtain sufficient evidence on the management's fair value assessment. Consequently, the auditors were unable to determine whether any adjustments to the Group's and the Company's on financial assets at FVTP were necessary.

For further information on the basis of qualified opinion, please refer to the Independent Auditor's Report accompanied to this announcement.

Core Power's Operations

The investment in Core Power was impacted by both the COVID-19 pandemic and changes in government rulings in China for the industry in which Core Power operates. As a result, the operations of Core Power remained dormant since February 2020. Due to financial difficulties and lack of resources, the audit of Core Power could not be performed for the current financial year. The loss arising from valuation of retained interest in Core Power amounting to \$17.7 million, represents the maximum impact to the Group's consolidated Statement of Comprehensive Income as at 31 August 2020.

The Board confirms that the operations of the Group are not affected and all material information has been announced. The Company is currently evaluating its options to address the audit issues and will make further announcements to update Shareholders of any developments, as and when appropriate.

Shareholders and potential investors are advised to carefully read this announcement and any further announcements made by the Company. Shareholders are also advised to exercise caution before making any decision in respect of their dealings in the Shares. Shareholders who are in any doubt about this announcement should consult their stockbroker, bank manager, solicitor or other professional adviser.

VARIANCES

The Board also refers to the unaudited financial statement announcement for the financial year ended 31 August 2020 dated 30 October 2020 ("**Unaudited FY2020 Results**") and in compliance with Rule 704(5) of the Catalist Rules, the Board wishes to announce that subsequent to the release of the Unaudited FY2020 Results and upon the finalisation of the audit by the Auditors, certain adjustments have been made to Audited FY2020 Financial Statements as compared to what was disclosed in the Unaudited FY2020 Results.

The details and explanations of the variances between the Unaudited FY2020 Results and the Audited FY2020 Financial Statements are set out below:

(1.1) Statement of Financial Position (Group)

	Unaudited FY2020 Results \$'000	Audited FY2020 Financial Statements \$'000	Variance \$'000	Notes
Current liabilities Trade and other payables	8,872	8,583	(289)	Reclassification arising from deferred cash settlement of \$289,000 to Core Power. The reclassification is mainly due to the extension of long stop date to 1 April 2028. (Please refer to announcement dated 17 April 2020 and note 15 of the Audited FY2020 Financial Statements)
Non-current liabilities Other payables	-	289	289	Adjustment arising from deferred cash settlement of \$289,000 to be paid to Core Power as at year end. (Please refer to note 15 of the Audited FY2020 Financial Statements)

(1.2) Statement of Financial Position (Company)

	Unaudited FY2020 Results \$'000	Audited FY2020 Financial Statements \$'000	Variance \$'000	Notes
Current liabilities Trade and other payables	4,934	4,645	(289)	Reclassification arising from deferred cash settlement of \$289,000 to be paid to Core Power. The reclassification is mainly due to the extension of long stop date to 1 April 2028. (Please refer to announcement dated 17 April 2020 and note 15 of the Audited FY2020 Financial Statements)
Non-current liabilities Other payables	3,298	3,587	289	Adjustment arising from deferred cash settlement of \$289,000 to be paid to Core Power as at year end. (Please refer to note 15 of the Audited FY2020 Financial Statements)

(1.3) Consolidated Statement of Cash Flows

	Unaudited FY2020 Results \$'000	Audited FY2020 Financial Statements \$'000	Variance \$'000	Notes
Net cash from operating activities	2,434	3,100	666	a) Reclassification to investing activities of \$294,000 in respect of cash settlement paid to Core Power during the beginning of financial year 2020. b) Reclassification to investing activities of \$356,000 in respect to advances paid for purchase of property, plant and equipment. c) Effect of exchange rate changes of \$16,000.
Net cash used in investing activities	(1,796)	(2,462)	(666)	a) Reclassification from investing activities of \$294,000 in respect of cash settlement paid to Core Power during the beginning of financial year 2020. b) Reclassification from investing activities of \$356,000 in respect to advances paid for purchase of property, plant and equipment. c) Effect of exchange rate changes of \$16,000.
Net cash used in financing activities	(89)	(87)	2	Effect of exchange rate changes.

BY ORDER OF THE BOARD

Andrew Sin Kwong Wah
Executive Director and CEO

12 December 2020

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") in accordance with Rule 226(2)(b) of the Catalist Rules.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Ken Lee, Associate Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.