

MIYOSHI LIMITED

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

**PROPOSED DISPOSAL OF LAND AND BUILDING OF A SUBSIDIARY IN CHINA LOCATED AT
TONGQIAO INDUSTRIAL BASE HUICHENG DISTRICT HUIZHOU, GUANGDONG PROVINCE,
CHINA 516032**

1. INTRODUCTION

The board of directors (the “**Board**”) of Miyoshi Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce the proposed disposal of land use rights in relation to the Land and Building (both as defined herein) constructed on top of the Land located at Tongqiao Industrial Base Huicheng District Huizhou, Guangdong Province, China 516032 (the “**Property**”) (the “**Proposed Disposal**”), by Miyoshi Precision Huizhou Co., Ltd (“**Miyoshi Precision Huizhou**”), its wholly-owned subsidiary incorporated in the People’s Republic of China (the “**Seller**”). The Proposed Disposal is compulsory and it is due to the expropriation of land by Zhongkai High Tech Industrial Development Zone Branch of Huizhou Bureau of land and resources 惠州市国土资源局仲恺高新技术产业开发区分局 (the “**Land Authority**”) for construction of a high-speed railway line in the Huizhou city.

In connection with the abovementioned Proposed Disposal, the Seller has on 4 September 2020, entered into a compensation agreement for building expropriation on state-owned land (国有土地上房屋征收补偿协议) (the “**Agreement**”) with Land Acquisition and Reserve Center of Huizhou Zhongkai High Tech Industrial Development Zone (惠州仲恺高新技术产业开发区征地与储备中心) (the “**Land Acquisition and Reserve Center**”), a representative office for the Land Authority (collectively, the “**Purchasers**” and each a “**Purchaser**”) pursuant to which the Seller and the Purchasers have agreed a total compensation of RMB 12,423,336 (or approximately S\$2,485,000) (the “**Consideration**”).

The completion of the Proposed Disposal (the “**Completion**”) shall take place within two (2) months after the date of the Agreement.

2. DESCRIPTION OF THE PROPERTY

The Property comprises a 50-year right of use land (with effect from 25 March 2008) measuring 15,150.42 square metres (the “**Master Land**”) together with a double storey office building annexed to a single storey factory constructed thereon with gross built up area of 6,513.80 square metres (the “**Main Building**”) and a five storey building was also constructed thereon with a gross built up area of 1,111.64 square metres (the “**Staff House**”). The Property is used for office, production plant and staff accommodation.

The Proposed Disposal of land consists of the land area measuring 3,368.23 square metres (the “**Land**”), representing approximately 22.2% of Master Land size and the building with a gross built up area of 2,708.30 square metres (the “**Building**”), representing approximately 41.6% of the Main Building. Pursuant to the Agreement, the Seller is required to deliver a vacant possession of the Land. As a result, the Building is to be dismantled. The Seller has commenced the dismantling work for the Building.

Following the Proposed Disposal, the remaining Master Land measuring 11,782.19 square metres (the “**Remaining Land**”) together with the Main Building with remaining gross built up area of 3,805.50 square metres (the “**Remaining Building**”), as well as the Staff House remain as Property of the Seller. The Remaining Building is to be renovated and continue to be used for office and production plant. The Staff House is not affected by the Proposed Disposal. The dismantling and renovation work do not cause any major disruption to the operations of the Seller.

3. INFORMATION ON THE PURCHASER

The Purchasers are part of the local government authority of Huizhou city. The Purchasers are independent third parties.

4. CONSIDERATION

The total Consideration of RMB 12,423,336 (or approximately S\$2,485,000) was based on valuation report dated 24 July 2020 (惠正资评报字 [2020] 第 ZP05024-2 号) (the "**Valuation Report**"). The Valuation Report was issued by Guangdong Huizheng Assets Appraisal and Real Estate Land Appraisal Co., Ltd (广东惠正资产评估与房地产土地估价有限公司), an independent valuer that was commissioned by the Land Authority. The Consideration shall be paid in cash and payable in full by the Purchaser within one (1) month after the date of the Agreement.

5. CONDITIONS PRECEDENT TO THE PROPOSED DISPOSAL

Completion is subject to, *inter alia*, the Land Authority written approval to the Proposed Disposal and subject to such terms and conditions whatsoever which the Land Authority may at its absolute discretion impose (the "**Approval**").

6. FINANCIAL EFFECTS

The financial effects of 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 Disposal nor a projection of the future financial performance or position of the Group after the Completion. The financial effects set out below are based on the Group's audited financial statements for the financial year ended 31 August 2019 ("**FY2019**").

(i) Net tangible assets ("NTA") per share

Assuming the Proposed Disposal had been effected on 31 August 2019, the NTA per share of the Group as at 31 August 2019 would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	61,630	63,269
Number of issued shares	607,603,590	607,603,590
NTA per share (Singapore cents)	10.14	10.41

(ii) Earnings per share ("EPS")

Assuming the Proposed Disposal had been effected on 1 September 2018, the EPS per share of the Group for FY2019 would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit/(loss) after tax (S\$'000)	1,017	2,656
Weighted average number of issued shares	527,961,000	527,961,000
EPS (Singapore cents)	0.19	0.50

7. RELATIVE FIGURES PURSUANT TO RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst ("Catalist Rules") are as follows:

Rule	Bases of computation	Size of relative figure
1006(a)	Net asset value of assets being disposed of, compared with the Group's net asset value	1.1% ⁽¹⁾
1006(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits	Not applicable ⁽²⁾
1006(c)	Aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	10.1% ⁽³⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as the transaction is a disposal and there were no securities issued
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- (1) Based on the Property's net asset value of S\$626,000 as at 31 May 2020 and the Group's net asset value of S\$57,527,000 as at 31 May 2020.
- (2) The Group did not derive any income from the Land and Building
- (3) Based on the aggregate value of consideration of S\$2,485,000 and the market capitalisation of the Company of S\$24,486,425 (determined by multiplying the existing number of shares, excluding treasury shares, in issue by S\$0.0403, being the weighted average price of the Company's shares transacted on 3 September 2020, the market day preceding the date of Agreement).

Based on the relative figures computed above, the Proposed Disposal constitutes a discloseable transaction under Rule 1010 of the Catalyst Rules. As none of the relative figures exceeds 50%, the Proposed Disposal does not constitute a major transaction under Rule 1014, and accordingly, shareholders' approval is not required for the Proposed Disposal.

8. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is compulsory and it is due to the expropriation of land by the Land Authority for construction of a high-speed railway line in the Huizhou city.

The Board is also of the view that it is in the interest of the Group to undertake the Proposed Disposal as the Property is underutilised. In this regard, the Proposed Disposal is not expected to have a significant effect on the operating performance of the Group. The Proposed Disposal will see the optimal release of value from the asset as a strategic imperative and the resultant cash proceeds from the Proposed Disposal would enable the Group to reduce borrowings and consequently reduce the Group's interest expenses.

9. USE OF NET PROCEEDS

The Proposed Disposal will represent an excess of approximately S\$1,600,000 over the book value of the Property. As at the latest announced consolidated financial statements of the Group (3Q2020), the book value of the Property was approximately S\$626,000. Accordingly, after taking into account expenses, the Group is expected to recognise a net gain arising from the Proposed Disposal of approximately S\$1,600,000.

The Group intends to use the net proceeds from the Proposed Disposal to reduce borrowings, as well as to provide working capital for the Group and other business opportunities as and when they arise.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has an interest, direct or indirect, in the Proposed Disposal, other than through their respective directorships and shareholding interests, if any, in the Company.

11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. DOCUMENTS FOR INSPECTION

A copy of the Agreement and Valuation Report are available for inspection during normal business hours at the registered office of the Company at 26 Boon Lay Way #01-80 Tradehub 21 Singapore 609970 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Andrew Sin Kwong Wah
Executive Director and CEO

4 September 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 Catalyst 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.