

INDEPENDENT AUDITOR'S REPORT

To the Members of Miyoshi Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Miyoshi Limited (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 August 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 August 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Qualified Opinion

As at 31 August 2019, the Group's and Company's investment in Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power"), a foreign associate, are carried at \$18,640,000 and \$20,433,000 respectively. The Group accounted for the investment in associate using the equity method. The Group's share of associate's loss and foreign currency translation differences amounted to \$1,725,000 and \$53,000 are included in the Group's consolidated statement of comprehensive income for the financial year ended 31 August 2019.

The component auditor were not able to obtain sufficient appropriate audit evidence on certain balances of which these sets of account was used for the Purchase Price Allocation report and equity accounting. In addition, there were impairment indications from the investment in associate as Core Power has been suffering consecutive losses. However, the management has not finalised the impairment assessment on the date of this report. We were therefore unable to obtain sufficient appropriate audit evidence about 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. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

AUDIT RESPONSE

Impairment assessment of property, plant and equipment (“PPE”)

As at 31 August 2019, the Group’s carrying amount of PPE amounted to approximately \$34,543,000 and accounted for 41.1% of the Group’s total assets. During the financial year, there were impairment indications on its PPE for loss-making operating facilities in Singapore, Thailand and Malaysia.

Management had carried out an impairment assessment to determine whether the recoverable amounts of these PPEs are less than the respective carrying amounts using the fair value less costs of disposal method. The assessment involved critical assumptions and judgement in determining the recoverable amounts. The review led to the recognition of impairment loss amounted to \$288,000 during the financial year.

The critical assumptions used for assessing:

- the fair value of freehold land was based on selling price of comparable properties in similar locations adjusted for property size and costs of disposal;
- the fair value of leasehold land was based on selling price of comparable properties in similar locations adjusted for property size, ages and costs of disposal;
- the fair value of leasehold and freehold buildings was based on cost approach for buildings and costs of disposal; and
- the fair value of plant and equipment, motor vehicles was based on the selling price for similar item adjusted for age and costs of disposal.

We have determined the impairment assessment of PPE to be a key audit matter as the impairment assessment involved significant judgements and critical assumptions applied by management in their assessment of the recoverable amounts of PPE.

Our procedures included, amongst others, the following:

- Reviewed the management’s impairment assessment of PPE in accordance with SFRS(I) 1-36;
- Assessed the reasonableness of the key assumptions such as similar property, plant and equipment, adjusted for age and cost of disposal by evaluating the underlying data;
- Independently verified the external sources data used by the management in deriving at the fair value of PPE;
- Performed sensitivity analysis on the related key assumptions such as adjusted equipment and motor vehicle age and cost of disposal used in management’s computation;
- Checked the mathematical accuracy of management’s computation of the fair value less costs of disposal; and
- Reviewed adequacy of the related disclosures in the financial statements.

Refer to Notes 3 and 11 to the financial statements.

KEY AUDIT MATTER	AUDIT RESPONSE
Impairment assessment of investments in subsidiaries and loans deemed as investments in subsidiaries	
As at 31 August 2019, the Company's investments in subsidiaries and loans deemed as investments in subsidiaries amounted to \$18.1million and \$11.6 million respectively. During the financial year, the impairment indications were arising from certain cash-generating units ("CGUs") in Malaysia and Thailand after these CGUs suffered consecutive losses over the years. Management had carried out an impairment assessment to determine whether the recoverable amounts of the investments in subsidiaries and loans deemed as investments in subsidiaries are less than the carrying amounts. Management determined the recoverable amounts based on fair value less costs of disposal method using the adjusted net tangible assets such as properties, which approximate the fair value less costs of disposal. In the current financial year, the Company recognised an impairment of investments in subsidiaries and loans deemed as investment in Malaysia's CGU of \$4,116,000. We focused on the impairment assessment of the subsidiaries as a key audit matter owing to the significant management judgements involved in the key assumptions used in assessment of the recoverable amounts of investments in subsidiaries and loans deemed as investments in subsidiaries.	Our procedures included, amongst others, the following: ■ Discussed with management and evaluated their assessment of the indication of the impairment loss; ■ Assessed the reasonableness of the key assumptions such as similar property, adjusted for age and cost of disposal by evaluating the underlying data; ■ Independently verified the external sources data used by the management in deriving at the adjustments to net tangible assets; ■ Checked the mathematical accuracy of management's computation of the fair value less costs of disposal; and ■ Reviewed adequacy of the related disclosures in the financial statements.
Refer to Notes 3 and 8 to the financial statements.	

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, we have concluded that the other information is materially misstated with respect to the Directors' opinion in the Directors' Statement whereby the Directors opined that *"the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date"*.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is William Ng Wee Liang.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
6 December 2019