



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Miyoshi Limited

Security: Miyoshi Limited

Meeting details:

Date: 28 December 2018

Time: 10.00 a.m.

Venue: 81 Choa Chu Kang Way, Warren Golf & Country Club, Singapore 688263,
Conference Room 1 & 2 (Level 2)

Company Description

Miyoshi Limited, together with its subsidiaries, designs and manufactures mold and precision pressed parts, and trades in related products. The company operates through four segments: Data Storage, Consumer Electronics, Automotive, and Others. The Data Storage segment manufactures metal semi-finished components for hard disk drives and removable storage devices. The Consumer Electronics segment offers metal semi-finished components for photocopiers, scanners, and printers. The Automotive segment provides finished products of light electric vehicles, as well as semi-finished metal components for motor vehicles. The Others segment offers semi-finished metal components for solar panels; sells scrap; and rents an industrial property. It also provides electronics solutions for use in homeland security, border control, and law enforcement applications. In addition, the company is involved in trading machines; and offers cold storage services. It serves data storage, consumer electronics, and automotive industries in the Philippines, China, Thailand, Mexico, Hungary, Malaysia, Singapore, and others. The company was formerly known as Miyoshi Precision Limited and changed its name to Miyoshi Limited in December 2014. Miyoshi Limited was founded in 1987 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=M03)

1. Would the board/management provide shareholders with better clarity on the following operational matters in the current core business? Specifically:

- (i) **Data storage segment:** As disclosed in the Operations review (page 27 of the annual report - CFO statement), the continuing decline of the data storage segment saw its revenue decrease by 34.2% to \$13.0 million in FY2018. The segment result slipped from a profit of \$967,000 in FY2017 to a loss of \$(155,000) in FY2018. Save for FY2017 where revenue from the data storage segment increased by \$0.2 million, revenue from data storage segment has decreased by at least \$5.8 million for each of the last 5 financial years. The segment revenue was as high as \$54.5 million in FY2010. **Can management help shareholders understand if it would be reviewing the sustainability of the data storage segment? Would the group be optimising its capital and management bandwidth to the new businesses and cease the data storage segment in the next 12-24 months?**

- (ii) **Automotive:** The segment grew by more than 28% in 2018 to become the second largest segment by revenue. The \$14.8 million in revenue was derived from metal components for vehicle dynamics (powertrain, chassis and safety), assistance driving systems, passive safety, sensory systems and instruments. It was disclosed that the group will have to ensure that there are sufficient machines and materials to handle the growth of its automotive customers. **What are the current utilisation rates of the group's manufacturing plants, especially those that are equipped/certified to manufacture the automotive parts? How much capital is required to grow the automotive business?**

- (iii) **Trade wars:** Has the group experienced any negative impact due to the trade conflicts between the USA and China? With facilities in Philippines, Thailand, Huizhou (China), Wuxi (China), Malaysia and Singapore, how will the group be impacted should tension escalate further?

2. The "Investment in associate - Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power")" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 163). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 31 August 2018, the group's investment in Core Power amounted to \$17.0 million.

On 31 July 2018, the group entered into an agreement with Core Power (the "Agreement") to increase the group's investment in Core Power from 15% to 32% by way of new capital injection of RMB 50,000,000 (equivalent to \$10,400,000) into Core Power and has made a partial capital injection of RMB 32,200,000 (equivalent to \$6,869,000) into Core Power which resulted in an increase in equity interest from 15% to 24.34% based on the paid up share capital of Core Power.

Management assessed that the group has gained significant influence over Core Power as the group has the power to participate in the financial and operating policy decisions of Core Power based on the Agreement. As a result, the investment in Core Power, which was previously classified as “Available-for-sale financial asset”, was accounted for as an investment in an associate for the financial year ended 31 August 2018.

- (i) What is the group’s representation in Core Power?**
- (ii) Can management help shareholders understand the “significant influence” the group has over Core Power? What is management’s involvement/oversight of the day-to-day operations of Core Power?**
- (iii) How much more capital is the group prepared to invest in Core Power? Does the group have the resources to support the growth of Core Power?**

In addition, on 23 May 2018, the company announced that it has entered into an international distributorship agreement with Core Power that would allow the company to promote the all-electric vehicles outside China for a period of three years.

- (iv) How is the group going to market/distribute the electric vehicles outside China?**

3. On 21 May 2018, the company placed out 115,000,000 new ordinary shares in the capital of the company at an issue price of \$0.0613 per share. This was a 9.99% discount to the volume weighted average price on trades done on the full day before the placement agreement was signed.

The net proceeds of \$6.8 million from the placement were used to fund the additional investment in Core Power.

More importantly, the placement of 115 million new ordinary shares represent approximately 18.88% of the enlarged issued and paid-up share capital of the company (excluding treasury shares). The issue price of \$0.0613 per share was at a significant discount to the net tangible assets per share of \$0.1202.

In June 2017, the group had carried out an earlier placement of 45 million new shares at an issue price of \$0.068 per share when the NTA per share was \$0.1241.

- (i) Did the board, especially the independent directors, consider the dilutive impact of the placements?**
- (ii) Has the board, especially the independent directors, estimated the company’s cost of capital given the dilutive impact of the placement?**
- (iii) Has the board considered other sources of funding, such as a rights issue?**



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- (iv)** In addition, during the financial year, the company carried out a share buy-back of 2,102,000 shares for \$151,000, an average price of \$0.07184 per share. **Does the board have a coherent capital management framework?**

A copy of the questions for the Annual Report for the financial year ended 31 August 2017 and 31 August 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Miyoshi%20Ltd>

The company's response could be found here: -----