



MYP LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200509721C)

RESPONSE TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON ANNOUNCEMENT OF ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

The Board of Directors (the “**Board**”) of MYP Ltd. (the “**Company**”) together with its subsidiaries (the “**Group**”) refers to the queries raised by Securities Investors Association (Singapore) on 22 July 2024, and set out below its responses to the questions:

Question 1

Q1. In his message to shareholders, the chairman took “great pleasure” in showcasing the “performance” of the group and expressed his gratitude to stakeholders for the company’s “continued vitality and success.”

For the financial year ended 31 March 2024, the group reported a revenue increase of 5.2% to \$17.8 million. However, the group recorded higher expenses of \$23.3 million in FY2024, compared to \$15.9 million in FY2023, representing a 46.5% increase. The group closed FY2024 with a net loss of \$(8.6) million, compared to the net profit of \$1.8 million achieved in FY2023. The Group’s net asset value per ordinary share as at 31 March 2024 stood at 17.5 cents, down from 18.1 cents on 31 March 2023.

From the consolidated statement of comprehensive income, it is evident that the finance costs of \$17.9 million exceed revenue of \$17.8 million. The group’s finance income of \$2.78 million is not even sufficient to cover staff costs (\$1.5 million) and direct operating expenses of investment properties (\$4.8 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

Group	Note	2024 \$'000	2023 \$'000
Revenue	4	17,811	16,928
Other income	7	13	3
Staff costs	7	(1,508)	(1,373)
Direct operating expenses of investment properties	7	(4,785)	(3,877)
Depreciation expense on plant and equipment	7	(26)	(31)
Impairment loss on other assets	10	(1,192)	-
Fair value (loss)/gain from investment properties	11	(3,100)	750
Other expenses	7	(359)	(545)
Results from operating activities		6,854	11,855
Finance income	5	2,775	1,199
Finance costs	5	(17,915)	(11,170)
Net finance costs	5	(15,140)	(9,971)
(Loss)/profit before tax		(8,286)	1,884
Tax expense	6	(275)	(111)
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	7	(8,561)	1,773
(Loss)/earnings per share:			
Basic and diluted (loss)/earnings per share (cents)	8	(0.54)	0.11

(Source: company annual report; emphasis added)

- (i) *Can the chairman elaborate on the specific metrics and achievements that justify his positive characterisation of the group's performance, given the financial losses and increased expenses reported?*
- (ii) *What guidance has the board set for management to achieve in terms of financial performance? Has the board, especially the independent directors, benchmarked the company against other listed peers?*
- (iii) *What efforts are being made by management to better manage the group's interest rate and finance costs?*
- (iv) *Given the current financial challenges, is the board considering a comprehensive evaluation of the long-term performance of management? How would the board weigh the potential advantages of bringing in new executive leadership with a proven track record of driving growth and profitability?*

Company's response:

- (i) Having considered the following metrics, the Executive Chairman and CEO is optimistic about the Group's business.

Revenue

In January 2024, the Group managed to increase its service charge to tenants by 10% year-on-year despite challenging economic conditions. This among other things has contributed to the increase in Group's revenue by 5.2% from S\$16.9 million in FY2023 to S\$17.8 million.

Disposal of a residential unit at St. Regis Residences

As announced to SGX on 9 April 2024, the Group managed to find a buyer for the sale of its residential unit at St Regis in March 2024 and the sale has been successfully completed on 5 July 2024. This has freed up the Group's cash flows by S\$5.9 million. With this cash inflow, the Group is confident that it is able to meet its future obligations of interest payments.

Occupancy rates

Despite challenging business environment, the Group managed to maintain high occupancy rate at 97.3% during the year which is in line with the prevailing market in the Raffles Place. The two residential units at Sky@ Eleven also remained tenanted in FY2024.

Financing costs

The Group's term loan carries interest per annum at 1.75% above the market rate of 1-month or 3-month compounded Singapore Overnight Rate Average ("SORA") rate. SORA is floating interest rate which is not within the control of the management.

Management continues to monitor the market risks including fluctuation of SORA rates, and reviews the Group's financial statements periodically and take necessary actions. The Group will consider interest rate swaps, should the benefits outweigh the costs from variable interest borrowings. In the high interest environment, the cost of hedging is expected to be high as well. In addition to the costs of hedging which is factored in the option pricing, there will be fair value issues where the Group would need to recognize any mark-to-mark losses in its financial statements based on bank's valuation of the options.

The interest income earned from fixed deposits placed with banks and financial institution with an amount of S\$2.8 million (FY2023: S\$1.2 million) has partially offset the interest expense.

- (ii) The Board comprises five directors. The principal functions of the Board are as follows:–
- Formulate corporate strategies, financial objectives and directions for the Group;
 - Ensure effective management leadership of the highest quality and integrity;
 - Provide oversight in the proper conduct of the Group's businesses;
 - Oversee and/or evaluate the adequacy of the internal audit, risk management, financial reporting and compliance processes;
 - Set corporate values and standards to ensure proper accountability within the Group and the obligations to shareholders and other stakeholders are understood and met;
 - Oversee and ensure high standards of corporate governance for the Group; and
 - Consider sustainability issues such as environmental factors.

The current Board has the appropriate balance and mix of skills, knowledge, experience as well as relevant core competencies provides guidance to management as and when needed.

The Audit Committee which comprised three independent directors is lead by Mr Kishore Prabhakar Sardesai whose core competencies in accounting and finance.

The Audit Committee assesses the Company's performance, position and prospects, including interim and other price sensitive reports. The Audit Committee reviews the financial performance of the Group on a periodic basis and give their comments for management to take the necessary actions.

In view of the current portfolio size and business structure of the Group, there is no specific benchmark company identified as reference. However, the Group make comparison of its rental rates with the current rental market as and when there is prospect tenant to consider before recruiting.

- (iii) Refer (i) above.

- (iv) All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the Audit Committee. Performance of management personnel (Executive Chairman and CEO and key management personnel) is reviewed periodically by the Nominating Committee and their remuneration package is reviewed periodically by the Remuneration Committee.

Considering the current portfolio size and nature of the business, the Board has no plan to bring in new executive leader.

Question 2

The group recognised a \$1.2 million impairment loss on art pieces based on a valuation exercise conducted by an independent professional valuation firm using sales comparison approach, involving comparison of appraised artworks with similar artworks sold in auction houses, considering physical and value characteristics, which is categorised as a Level 3 fair value based on the inputs to the valuation technique used.

10 Other assets

Group	2024 \$'000	2023 \$'000
At beginning and end of year	5,689	5,689
Impairment loss recognised in profit or loss	(1,192)	-
At end of year	4,497	5,689

During the current financial year, management recorded an impairment loss of \$1,192,000 on the art pieces based on a valuation exercise conducted by an independent professional valuation firm using sales comparison approach, involving comparison of appraised artworks with similar artworks sold in auction houses, considering physical and value characteristics, which is categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Assets held in trust

Other assets comprise of 4 art pieces (2023 - 5 art pieces) with net carrying amount of \$2,497,000 (2023 - \$5,689,000) are held in trust by a shareholder and director.

- (i) *Could the company disclose the identity of the independent professional valuation firm that conducted the art valuation?*
- (ii) *From a fair gain of \$1.1 million, the carrying amount has now declined to \$4.5 million, reflecting a fair value loss of \$(1.2) million. What is the board's view of the art market, and does the board have a strategic plan to monetise the art pieces?*
- (iii) *To what extent did the board contribute to the selection of art pieces and artists? Were the investment decisions influenced primarily by aesthetic appeal or investment value?*
- (iv) *What is the current status of the fifth art piece valued at \$2 million that was previously held in trust by a shareholder and director? Has it been sold, transferred, or kept in storage?*
- (iv) *Would the board consider engaging the shareholder and director to explore a sale of the art pieces at or near the original purchase price given that there has been no tangible benefit to the group over the years of ownership?*

Company's response:

- (i) The independent professional valuer is Charles Liu, who is the Director of Charles Art / Valuation.
- (ii) The fine art market in 2023 displayed resilience despite a slowdown of 4% year-on-year in sales. Factors such as high interest rates, inflation, and political instability contributed to slowing growth at the high end of the market (Art Basel). Consequently, the valuation of high-end art pieces in our portfolio has been adjusted accordingly.

The outlook for 2024 appears cautiously optimistic. The anticipated decline in interest rates and inflation may provide a supportive economic environment for the art market (Art Basel) (Artsy). Therefore, the Board's view is to continue holding the art pieces in the short term and wait for their value to appreciate again.

The other assets of the Group consist of five art pieces with a total carrying value of S\$4.5 million (2023: S\$5.7 million).

The art pieces are recorded based on the actual amount paid at initial recognition and reviewed annually for impairment loss. The estimated recoverable amounts are based on valuation report obtained from an independent professional valuer, having appropriate recognised professional qualification and experience in the assets being valued.

In FY2024, the Group has engaged an independent qualified appraiser who specializes in art valuation to perform a valuation on the art pieces.

The valuation report is prepared in accordance with Appraisal Guidelines and Formats from International Society of Appraisers (ISA). The report also conforms to The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP).

As at 31 March 2024, the fair values based on the valuation report obtained from the appointed valuer amounted to S\$6.1 million compared with the total cost of S\$5.7 million. The net change of \$0.4 million comprised:

	S\$'000
Fair value gain from 3 art pieces	1,578
Fair value loss (impairment loss) from 2 art pieces	<u>(1,192)</u>
Net gain	<u>386</u>

Based on the Group's accounting policy, only impairment loss of S\$1.2 million is recognized in the accounts. Any fair value gains are not recognized.

As disclosed in Note 10 of the Annual Report 2024, breakdown of the other assets is as follows:

	2024	2023
	S\$'000	S\$'000
At beginning of year	5,689	5,689
Impairment loss recognised in profit or loss	<u>(1,192)</u>	-
As at end of year	<u>4,497</u>	<u>5,689</u>

- (iii) The Board has adopted a conservative in the selection of art pieces and artists. Our approach has always been to balance both aesthetic appeal and investment value. The selection process also involves consultation with experts to ensure that the pieces not only enhance our collection's visual appearance but also represent sound financial investments. While the

aesthetic appeal is a crucial factor in our decisions, ensuring the long-term appreciation and stability of our investments is equally important. Thus, both artistic quality and market potential have consistently guided our investment strategy.

- (iv) The fifth art piece – Monkey Train (Blue) by Jeff Koons is currently displayed at the main lobby of MYP Centre, 9 Battery Road. Displaying this art piece at our building has significantly enhanced its aesthetic appeal by elevating its prestige, attracting high-profile tenants' attention, and adding cultural significance. The vibrant and engaging nature of Koons' work creates a stimulating environment, while also increasing the building's market value as a high-profile investment asset.
- (v) The Board understands the concerns regarding the tangible benefits of owning the art pieces. However, we believe that the current market conditions and future outlook suggest that retaining the pieces is a more prudent strategy. The anticipated decline in interest rates and inflation is expected to provide a supportive economic environment that could enhance the value of our art collection. Selling now at or near the original purchase price might not reflect the potential appreciation we foresee in the near future. Additionally, the presence of these art pieces has already contributed to elevating the prestige and cultural significance of our properties, which indirectly benefits the group.

Moreover, the Board's strategy includes a long-term perspective on investment, and art has historically shown resilience and value appreciation over time. Engaging in a sale at this point could undermine this strategic vision and potentially result in a loss of future opportunities for value growth. We believe that holding the pieces allows us to maximize their potential return on investment while continuing to enhance the cultural and aesthetic value of our properties.

Question 3

The three independent directors, namely Mr Kishore Prabhakar Sardesai, Mrs Elizabeth Ho Nee Wong Ching Wai and Professor Tan Chin Tiong, were appointed on 27 July 2012, 30 July 2012 and 1 January 2015 respectively.

Accordingly, the directors would have served on the board for 12 years, 12 years and 9.5 years respectively. All three independent directors will retire upon the conclusion of the annual general meeting scheduled to be held on 30 July 2024.

The nominating committee (NC) comprises Mrs Elizabeth Ho Nee Wong Ching Wai (as chair), Professor Tan Chin Tiong Member and Mr Jonathan Tahir Member.

- (i) Can the NC, especially the NC chair, help shareholders better understand if it has been successful in ensuring the progressive renewal of the board given that all independent directors will retire on the same day?*
- (ii) With the current “all-out, all-in” plan, how does the board plan to retain and transfer the substantial institutional knowledge that the retiring independent directors have accumulated over their tenure to ensure continuity and a seamless transition for the new board members?*
- (iii) Is there a risk that the lack of continuity and the absence of institutional knowledge will leave the new board facing a steep and unnecessary learning curve?*

The proposed directors are Er Dr Lee Bee Wah, Mr Michael Chin Sek Peng and Mr Owyong Thian Soo. Detailed information of the proposed directors can be found on pages 84 to 94 of the annual report.

- (iv) Would the nominating committee (NC) elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the nominations and appointments of the independent directors, as required in the SGX template?*
- (v) Can the NC elaborate on the search and nomination process for directors, especially IDs? How robust is the process?*

It has been noted that the proposed directors share past and present directorships at other listed companies. For instance, Er Dr Lee Bee Wah and Mr Michael Chin Sek Peng served together on the board of Amcorp Global Ltd while Er Dr Lee Bee Wah and Mr Owyong Thian Soo are directors on Koh Brothers Group Limited. This overlap may lead shareholders to view these three directors as a package, which could compromise the perceived independence of the board.

- (vi) Could the NC clarify if the selection process for the proposed independent directors involved recommendations from one initial candidate? If so, how does the NC ensure that this approach maintains the independence and objectivity of the appointments? In addition, how does the NC address shareholder concerns about a perceived bundle approach that might affect the directors' perceived independence?*
- (vii) In the interest of good corporate governance, would the controlling shareholder abstain from voting on the three resolutions relating to the appointment of the directors?*

Company's response:

- (i) The Board believe that board renewal is an on-going process to ensure good governance and maintain relevance to the changing needs of the Group's businesses. The NC constantly assesses suitability of potential candidates whenever they become available and make recommendations to the Board when needed, taking into account the Board's diversity policy, candidate's track record, age, experience, capabilities and other relevant factors.

The Company has commenced its search process for suitable Independent Director candidates since last year 2023.

Following a comprehensive search, the Company has successfully found the three candidates namely, Er Dr Lee Bee Wah, Mr Michael Chin Sek Peng and Mr Owyong Thian Soo who possess the necessary skills, experience and competencies to join our Board as independent directors.

- (ii) The Company will arrange for all newly appointed Directors to meet more regularly with the Company's senior management in the initial stage to familiarise themselves with the business, operations and governance practices of the Group. We will also provide newly appointed Directors with a written guide setting out their duties and obligations. Also, a new Director who has no prior experience as a director of an issuer listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") will be enrolled for the mandatory training courses in the roles and responsibilities of a director of a listed company as prescribed by SGX-ST.
- (iii) In the appointment of new Directors replacing the outgoing Directors, the NC and the Board will and have taken into consideration whether a director has the relevant track record, experience, expertise, and domain knowledge to contribute to the workings of the Board.

In addition, our Executive Chairman and Chief Executive Officer and key management team have remained intact, which will help preserve our institutional knowledge and expertise. We are committed to minimising the impact of this change and maintaining effective board operations.

- (iv) The appointments of the independent directors took into account, amongst others, their qualifications, attributes, past experience, competencies, independence, expertise, background, skills and familiarity with the listing rules.

The Board of Directors of the Company, having considered among others, the recommendation of the NC and the qualifications, work experience and competencies of the three candidates, is of the view that the three candidates are suitable for appointment as an Independent Non-Executive Directors. For more information, please refer the pages 84 to 94 of the Company's Annual Report 2024.

- (v) The NC has put in place a formal process for the selection of new Directors as mentioned on page 17 of the Company's Annual Report 2024 and taking into account the Board's diversity policy as disclosed on pages 14 and 15 of the Company's Annual Report 2024, candidate's track record, age, experience, capabilities and other relevant factors.

- (vi) The NC confirms that they have maintained their independence and objectivity of the appointments. Their search and selection process has followed the Group's governance and has complied with the Listing Rules of the SGX-ST.
- (vii) In accordance with the Listing Rules of the SGX-ST, the Company's controlling shareholder is not required to abstain from voting on the three ordinary resolutions relating to the appointment of the abovesaid proposed directors.

By Order of the Board

MYP LTD.

Jonathan Tahir
Executive Chairman and Chief Executive Officer

Date: 29 July 2024