# MYP LTD.

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

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**RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNOUNCEMENT OF THE UNAUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED 31 MARCH 2021**

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The Board of Directors (the "Board") of MYP Ltd. (the "Company") refers to the queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 16 June 2021, and set out below its responses to the queries from the SGX-ST as follows:

***Question 1***
We note that the Company disclosed on page 8 of the Financial Statements that the Group revalued its investment properties at fair values. In this regard, please disclose: (i) how the revaluation was done; (ii) whether an external valuer was engaged to perform the valuation; (iii) whether the Board is satisfied with the assumptions / estimations utilized in the valuation and the basis for its assessment.

***Company's responses:***
The investment properties of the Company is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. In order to determine the fair value, the Company engaged external independent property valuer to carry out a valuation at the end of each financial year.

The external independent property valuer, having appropriate recognised professional qualifications, values the Group's investment property portfolio annually. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In determining the fair value, the valuer has used valuation techniques which involved certain estimates. The valuer has considered the market comparison approach as well as income capitalisation method (2020: market comparison approach) in arriving at the open market value as at date of valuation.

The market comparison approach involves using price per square metre of buildings derived from observable market data of comparable sales of similar property in Singapore based on recent market transactions. Adjustments have been made to the key assumptions of comparable properties for differences on key attributes such as location, tenure, time factor, age, frontage/facing, condition, and size. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Under the income capitalization method, the net income is capitalized at a market-based capitalization rate which reflects both the risk and benefits of the property as an investment. The adopted capitalisation rate reflects the nature, location, tenure, tenancy profile of the property together with the prevailing property market condition. Reference has been made to the comparable yields derived from similar properties' transactions and capitalisation rates adopted by major commercial REITs and financial houses in their portfolio valuation for the same asset class.

The Board is satisfied that the valuation methods and estimates are reflective of current market conditions and have taken into account the impact of COVID-19 outbreak based on information available as at 31 March 2021. Due to the unknown future impact that COVID-19 might have on the real estate market, the Group will continue to monitor the situation and seek professional advice on the property values as and when necessary.

***Question 2***

The Company stated on page 10 of the Financial Statements that there is an increase in amount owing to a shareholder due to payments made on behalf of the Group in FY2021. Please explain the rationale for these payments, bearing in mind that the Company has cash and cash equivalents amounting to $124.7 million.

***Company's responses:***

The shareholder has been making payments on behalf of the Group over the years and this forms part of the financing source for the Group in addition to the bank borrowings. Following the disposal of ABI Plaza in November 2020, and considering a bank loan which will be due for renewal this December 2021, the Group is in the process of reviewing its financing activities in particular the amount owing to a shareholder, its bank loan as well as finance costs. The Group will make the necessary adjustment when it thinks fit.

***Question 3***

It is disclosed on page 10 of the Financial Statements that an amount of $30.3 million was recognized as impairment losses on investments on subsidiaries for the financial year ended 31 March 2021. In this regard, please disclose the following information:-

(i) the nature of these investments;
(ii) how the amount of impairment was determined;
(iii) whether any valuation was conducted, the value placed on the assets, the basis and date of such valuation;
(iv) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
(v) the reasons for the impairment losses.

***Company's responses:***

The Company's responses:

(i) These investments represent the costs of investments in certain subsidiaries' unquoted equity shares which are carried at cost. Details of the Company's subsidiaries can be found on page 63 of 2020 Annual Report (Note 12).
(ii) The Company assessed the recoverable amount of the cost of investments based on the fair value (less cost of disposal) of the investments. The fair value (less cost of disposal) was determined based on fair value of the underlying assets and liabilities. Consequently, Company recognised an impairment loss of $30.3 million.
(iii) Independent valuation was conducted on the investment properties of the subsidiaries. While there was no separate independent valuation conducted on the valuation of the subsidiaries.
(iv) The Board confirmed that it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.
(v) Reason for impairment is due to shortfall between the recoverable amount and cost of investment.

***Question 4***

Please explain why interest income amounted to only $1.5 million during the financial period ended 31 March 2021 when the Company has significant cash and bank balance amounting to $124.7 million.

***Company's responses:***

The primary objective of the Group's capital management is to have a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the Group's business.

The Group's approach to managing liquidity is to ensure that as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Group monitors its cash flow requirements closely.

In light of the ongoing pandemic and economic outlook, Group continues to adhere to its business and investment strategy of keeping a strong balance sheet with sufficient resources for future investment needs for long term and sustainable growth.

The interest income for the financial year 2021 of $1.5 million was generated from placement of fixed deposit with banks. During the financial year 2021, not all $124.7 million was placed in fixed deposit and the fixed deposit that the Group placed were very short-time in nature.

When placing fixed deposit, the Group will take into consideration factors such as interest rate, cash flow requirements, as well as credit ratings of banks and financial institutions. Subsequent to 31 March 2021, the Group has placed additional fixed deposit of $80.0 million with bank.

***<u>Question 5</u>***

Please provide the reason(s) for the significant accounts payables/trade and other payables of $55.6 million when the Group recorded a cash and cash equivalent of $124.7 million as at 31 March 2021.

***<u>Company's responses</u>:***

The Company's accounts payables of $55.6 million comprised mainly amounts due to its subsidiaries of $55.3 million and accrued operating expenses $0.3 million.

In the subsidiaries' accounts, there are corresponding amounts due from immediate holding company of $55.3 million.

Both amounts due to its subsidiaries of $55.3 million and amounts due from immediate holding company of $55.3 million are intra-group balances within the Group.

On consolidated group level, the amounts due to subsidiaries in the Company's accounts of $55.3 million have been fully eliminated against the amount due from immediate holding company of $55.3 million in the respective subsidiaries' accounts. This is in compliance with the accounting standard SFRS(I) which require intra-group balances to be eliminated in full on consolidation.

For Group's cash and cash equivalents of $124.7 million, please refer Company's responses to Question 4 above.

***<u>Question 6</u>***

Given the Group's significant liabilities of $424.4 million and cash and bank balance of only $124.7 million and noting that the Company incurred losses of $66.5 million in FY2021, please disclose the Board's assessment (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of $423.6 million, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

***<u>Company's responses</u>:***

<u>Company's statement of financial position</u>

As at 31 March 2021, the Company's current assets of $0.4 million consist of trade and other receivables of $0.3 million and cash and cash equivalents of $0.1 million.

Included in the Company's short-term liabilities of $83.0 million are amounts due to its subsidiary companies of $55.3 million and shareholder's loan of $27.4 million, both are non-interest bearing and have no fixed term of repayment.

The amounts due to subsidiaries are intra-group balances within the Group and therefore have been fully eliminated on consolidation.

Group’s statement of financial position

As at 31 March 2021, the Group’s current assets of $133.6 million consist of trade and other receivables of $7.0 million and cash and cash equivalents of $126.6 million.

Included in trade and other receivables are mainly accrued income of $5.9 million, non-recurring item (Sinking Funds and Special Levy Funds receivable) in respect of the disposal of an investment property of $0.6 million and prepayments of $0.3 million.

Accrued income as at 31 March 2021 comprised mainly rent and service income recognised in the accounts on a straight-line basis over the term of the lease which is in accordance with the Company’s accounting policy on revenue recognition. This is mainly attributable to rent-free fitting out period for certain tenants.

Breakdown of trade and other receivables are appended below:

| | **Group** | |
|---|---|---|
| | **2021** | **2020** |
| | **$’000** | **$’000** |
| Trade receivables | 106 | 57 |
| Other receivables | 603 | – |
| Deposits | 117 | 117 |
| Accrued income | 5,899 | 3,382 |
| Prepayments | 345 | 733 |
| | 7,070 | 4,289 |

The Group’s current liabilities of $423.6 million comprised mainly bank loan of $360.0 million and shareholder loan of $59.1 million. The remaining $4.5 million consists of trade and other payables, derivative financial liabilities and current tax liabilities.

The Group is currently in discussion with the bank to re-finance the $360.0 million term loan and expects to firm up the refinancing prior to the expiry date.

The shareholder loan is non-interest bearing and has no fixed term of repayment.

With cash and cash equivalents of $124.7 million, there are sufficient funds to repay the remaining current liabilities of $4.5 million within the next 12 months.

***Question 7***

As at 31 March 2021, the Group has net debt of $359.8 million with cash and cash equivalents of $124.7 million. The Group is also in a net current liability position. Please disclose the pro-active actions which management plans to take to ensure that the Group’s financial position remains strong. In this regard, please assess the Company’s:-

(i) ability to operate as a going concern;
(ii) ability to meet its debt covenants (if any); and
(iii) ability to meet its short term obligations when they fall due.

***Company’s responses:***

As disclosed on page 10 of the announcement, as at 31 March 2021, the Group has a negative working capital of approximately $290.1 million (31 March 2020: $33.5 million) mainly due to a bank loan with maturity date in December 2021 being reclassified from non-current to current liabilities. Notwithstanding this, the shareholder undertakes to provide financial support to the Group to enable it to continue its operations and to meet its financial obligations as and when due.

There is no breach of any financial covenants by the Group. The Group is currently in discussion with the bank to re-finance the $360.0 million term loan and expects to firm up the refinancing prior to the expiry date.

The shareholder loan is non-interest bearing and has no fixed term of repayment.

As discussed in responses to question 6, with cash and cash equivalents of $124.7 million, the Group is able to meet its short-term obligations when they fall due.

The Board has assessed and concluded that the Group is able to operate as a going concern.

By Order of the Board of Directors,
**MYP LTD.**

Jonathan Tahir
Executive Chairman and Chief Executive Officer
18 June 2021