Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: MYP Ltd.

Security: MYP Ltd.

Meeting details:
Date: 27 July 2018
Time: 9.00 a.m.
Venue: Canary Room, Level 4, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663

Company Description

MYP Ltd., an investment holding company, invests in real-estate properties in Singapore. Its properties include commercial buildings and residential condominium units. The company is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=F86)

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1. As disclosed in the "Chairman's message", the group's investment strategy is one of "keeping a strong balance sheet with sufficient resources for future investment purposes for long-term and sustainable growth." (page 3 of the annual report).

In addition, the executive chairman has highlighted the following (page 5):

> *"A sound investment strategy, which is balanced with a keen eye for opportunities tempered with financial prudency, puts us in a good position to keep our growth momentum especially given the optimistic property market outlook in Singapore."*

As disclosed in Note 2(a) (page 35 – Going concern), the group has net current liabilities of $360,981,000 (2017: $142,797,000) as at 31 March 2018.

(i) **Can the board, especially the audit committee (AC), help shareholders understand if the group's net current liabilities position of $361 million represents a "strong balance sheet"? What can be done to further strengthen its position?**

(ii) **How much debt headroom does the group currently have to support any future acquisition?**

(iii) As seen from the Statements of financial position, the amount owning to a shareholder increased to $158.1 million as at 31 March 2018, from $151.9 million a year ago. **In the opinion of the board, was it prudent for the group to acquire the former Straits Trading Building for $560 million when it required additional loans from a shareholder to strengthen the balance sheet?**

(iv) **Does the board expect the financial position of the group to be significantly strengthened should the proposed sale of MYP Plaza be completed? If so, would the company be in a financial position to pay a sustainable dividend following the sale?**

(v) **Has the board considered selling the art pieces with a carrying value of $2.971 million (which are held in trust by a shareholder as at 31 March 2018) to strengthen the balance sheet of the group and to distribute the proceeds to shareholders as dividends?**

2. The group's major asset, MYP Centre (formerly known as Straits Trading Building) at 9 Battery Road, was acquired in 23 December 2016. During the acquisition, the valuer certified that the building was 100% let, as at August 2016.

Following the acquisition by the group, the reported occupancy rates of the asset have steadily declined:

- At the point of acquisition: 100%
- Fourth quarter of FY2017: 90.7%
- Fourth quarter of FY2018: 85.3%

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(i) **What is the experience and track record of the management team in dealing with tenants who typically rent Grade A commercial space with large floor plates?**

(ii) **What are the reasons for the dip in the occupancy rate of MYP Centre?**

(iii) As reported in the local media, a key tenant currently occupying 11 floors of space in MYP Centre is set to shift out in 2020. **What are management's immediate efforts to increase the occupancy rate from 85.3% and to maintain the occupancy rate? How can the group reposition the asset to generate stable and increasing rental income?**

(iv) **What is the level of oversight by the board on operational matters? How does the board ensure effective management leadership of the highest quality?**

3. In Note 16 (page 56 – Bank borrowings – Secured), it was disclosed that the secured bank loans #1 and #2 are interest-bearing at a floating rate of 1.85% per annum above Singapore Interbank Offered Rate which are repriced on a regular basis.

Similarly, secured bank loan #3 is interest-bearing at a floating rate from 1.80% to 2.00% per annum above one-month Singapore Dollar Swap Offer Rate.

In 2018, the group's total interest expense on bank borrowings was $17.3 million. As shown in Note 21(e) (page 60 – Financial instruments: Interest rate risk), the group made the following disclosure based on a 50 basis points decrease/increase:

Sensitivity analysis for interest rate risk

As at reporting date, if interest rates had been 50 basis points lower/higher with all other variables held constant, the Group's profit/(loss) before tax would be approximately $2,466,000 (2017: $2,466,000) lower/higher, arising as a result of lower/higher interest income/expense from bank borrowings.

The sensitivity analysis above excludes the financial effect of transaction costs recognised against the financial liabilities.

(Source: Company annual report)

(i) **Can the board/management confirm that the group's profit will actually increase by an estimated $2.466 million should the interest rates drop by 50 basis points (and not an increase as stated by the company on page 60/shown above)?**

At the reporting date, the Group has interest rate swap contracts with a total notional amount of $91 million (page 57 – Derivative financial liabilities) while the group's total bank borrowings amount to $581.4 million as at 31 March 2018.

(ii) **What is the cost to the group to hedge a notional amount $100 million?**

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(iii) Can the board elaborate further on the reason(s) why it has hedged just a small portion of its interest rate exposure?

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

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=12

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