Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: MYP Ltd.

Stock code: F86

Meeting details:
Date: 7 September 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As seen from the Statements of financial position (page 37 of the annual report), the group has total assets of $832.9 million as at 31 March 2020 following the disposal of MYP Plaza in FY2019.

Total revenue for the year was $23.3 million. The gross rental yield for the group is approximately 2.8% in FY2020. As seen on page 66, the group has bank loans with interest rates ranging from 3.41% to 3.75% in FY2020.

(i) **Given that the group's core business is in property investment, can management provide shareholders with better clarity on the operational and financial performance?** For instance, shareholders would like to know the profile of its tenants (including sector breakdown and revenue concentration), average passing rent, rental reversion, weighted average lease expiry, lease expiry profile etc.

(ii) **Are there signs that tenants are having difficulties in meeting their rental obligations due to the COVID-19 pandemic? What assistance has the group provided to its tenants during this challenging period?**

(iii) The group has two major customers that accounted for $12.5 million in revenue in FY2020. The group has signed up a co-working space tenant after a large law firm vacated its space. **Can management elaborate further on the robustness of its credit risk/counterparty risk framework especially for its major customers? How much security deposit does the group collect from its tenants?**

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Q2. As disclosed in Note 10 (page 62 – Other assets), the group has art pieces which are held in trust by a shareholder.

In the company's response to queries raised by SGX-ST, it was disclosed that the group had purchased a new art piece titled Monkey Train (Blue) by Jeff Koons (shown below) in the financial year with a carrying value of $2.716 million.

This is probably the second piece of art acquired by the group, with the first piece being valued at $2.973 million (page 62).



(Retrieved from http://www.jeffkoons.com/artwork/hulk-elvis/monkey-train-blue on 31 August 2020)

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(i) **Can the independent directors help shareholders understand if the purchase of the art pieces is aligned to the long-term strategy of the group? Did the board approve the purchase of the art piece?**

(ii) **What are the holding costs (such as storage costs, insurance costs) for the art pieces? Is the group receiving "rental" income as the art pieces are held in trust by a shareholder?**

(iii) **What is the collective experience of the independent directors on the board in art investments? What is the expected return of these alternate investments?**

In the company's announcement dated 23 July 2020, it was stated that the art pieces are alternative forms of investment and the total amount of $5.7 million represents 0.66% of the group's total assets.

However, shareholders' equity amounted to just $347.6 million (page 37) and the group has outstanding borrowings of $450.9 million (page 66). In the financial year, the group paid $17.6 million in finance costs compared to a positive cash flow of $13.2 million from operating activities.

Net cash used in financing activities was $84.9 million, including $64.2 million paid back to a shareholder. As at 31 March 2020, the amount owing to a shareholder still stood at $58.2 million. Cash and cash equivalents at the end of the year slipped to $20.9 million, down from $44.4 million a year ago.

The company has not paid out a dividend since 2015.

(iv) **Given the financial position of the group, did the independent directors evaluate how it could better allocate its resources to reduce debt or to pay dividends to shareholders?**

Q3. Principle 3 of the 2018 Code of Corporate Governance issued by the Monetary Authority of Singapore calls for a clear division of responsibilities between the leadership of the board and management, and that no one individual has unfettered powers of decision-making.

In particular, Provision 3.1 requires the chairman and the chief executive officer ("CEO") to be separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the board for independent decision making.

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The company has stated the following in its Report on corporate governance (page 13):

> *The Board is of the opinion that it is not necessary to separate the roles of the Chairman and the CEO after taking into account the size, scope and nature of the operations of the Group. Although the roles of Chairman and CEO are not separate, the Board is of the view that there are sufficient independent elements, safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or groups of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance.*

(i) **Would the board elaborate further why it has deemed it "not necessary" to separate the roles of the chairman and the CEO?**

(ii) **Has the board considered the pros and cons of separating the roles of the chairman and the CEO? If not, would the board be evaluating if the separation of the roles of the chairman and CEO can benefit the group?** For instance, the separation of the chairman and the CEO roles would most likely lead to increased accountability and greater capacity of the board for independent decision making.

In addition, the board has stated that it is aware of the amendments to the SGX Listing Rules, which will take effect from 1 January 2022, requiring the re-appointment of directors who have served the board beyond nine years from the date of their first appointment to be subjected to a two-tier shareholders' vote and that it will consider developing its board's succession plans ***at the appropriate time*** [emphasis added].

On page 15, the company has stated the key responsibilities of the nominating committee (NC) which includes reviewing the succession, training and professional development programs for the board and key management personnel.

(iii) **Can the NC elaborate further on the renewal and succession plans for the board? If the NC has not developed the succession plan, would the NC be looking into it in this financial year?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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