

GYP PROPERTIES LIMITED
(Company Registration No.: 200304719G)
(Incorporated in the Republic of Singapore)

RESPONSES TO SIAS QUESTIONS ON FY2020 ANNUAL REPORT

The Board of Directors (the "**Board**") of GYP Properties Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the publishing of its annual general meeting related documents on the SGXNET on 15 October 2020. The Company has received the following questions from SIAS in relation to the Company's FY2020 Annual Report and the Company wishes to provide its responses in advance of the AGM as follows:-

SIAS Question 1

1. As noted in the outgoing chairman's message, Mr Mah Bow Tan is stepping down as the chairman to "further enhance the independence of the board" under the new SGX regulations.

Mr Andrew Tay Gim Chuan has taken over the board chair role as at 30 June 2020. The profile of Mr Andrew Tay Gim Chuan can be found on page 29. Mr Tay was appointed director of the company on 12 December 2007 and would have served for more than 12 years on the board.

- (i) Would the nominations committee elaborate further on the process to identify and select the new chairman of the board?

Mr Andrew Tay Gim Chuan, as independent director, provides professional services to the group. In Note E (page 153 – Interested person transactions), it is shown that Mr Andrew Tay Gim Chuan received fees for professional services amounting to \$160,000 in FY2020 and \$180,000 in FY2019.

In fact, from the company's annual reports, it can be seen that Mr Andrew Tay Gim Chuan has received fees amounting to \$180,000 per annum for the provision of professional services from at least FY2013 to FY2019. Including the FY2020 payments of \$160,000, Mr Andrew Tay Gim Chuan would have received \$1.465 million as professional fees from the company, not including the director fees he would have received in the same period.

In the Practice Guidance issued the Monetary Authority of Singapore together with the Code of Corporate Governance 2018, it was stated, under director independence, that:

... the nominating committee and board should consider the following circumstances in which a director should also be deemed to be non-independent:

a director, or a director whose immediate family member, in the current or immediate past financial year, provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), other than compensation for board service. The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material. As a guide, payments aggregated over any financial year in excess of S\$50,000 should generally be deemed significant; [emphasis added]

- (ii) Would the company elaborate further on the scope of professional services provided by Mr Tay?
 - (iii) What are the deliverables?

- (iv) Given that the payment to Mr Tay easily exceeds the guideline of \$50,000 per year in the Practice Guidance of the Code of Corporate Governance 2018, would the board and the nominating committee be reviewing the independence of Mr Tay?

Separately, the independence of each director is reviewed annually by the nominations committee ("NC"). The independence of any director who has served on the board beyond nine years from the date of his first appointment will be subject to more rigorous review. As at the date of the annual report, both Mr Ng Tiong Gee and Andrew Tay Gim Chuan have served on the board for more than nine years from the date of their first appointment on 6 August 2007 and 12 December 2007 respectively.

The NC comprises Mr Andrew Tay Gim Chuan (as chairman), Mr Ng Tiong Gee, and Mr Pang Yoke Min (non-executive non-independent director).

- (v) Assuming that no director was involved in his own review of independence, did the NC carry out the review of the long -tenured director in a round-robin format? That is, did Mr Andrew Tay Gim Chuan and Mr Pang Yoke Min assess the independence of Mr Ng Tiong Gee? And then for Mr Ng Tiong Gee and Mr Pang Yoke Min to assess the independence of Mr Andrew Tay Gim Chuan?
- (vi) How effective is the NC given that two out of the three members of the NC are long-tenured and would have their independence reviewed by the NC (and that the third member of the NC is a non-executive non-independent director)?

Company's response to Question 1:

- (i) The process to identify and select the new chairman of the Board can be summarised as follows. First, the Board considered whether to have a new Independent Director to join the Board as Chairman. Given the size of the Company, the Board, with the concurrence of the Nominations Committee members, was of the view that the current Board composition of six directors with their diverse experience, knowledge and expertise is adequate and it was unnecessary to further expand the size of the Board. With this decision, it narrowed the choice to the two independent directors of the Company, who are two out of the three members of the Nominations Committee, to take on the role as Non-Executive Chairman. The Board **unanimously agreed** to appoint Mr Andrew Tay Gim Chuan (who abstained from the voting) as the new Chairman of the Company given his depth of experience, including his past stint as Executive Director of another SGX listed Company. Mr Andrew Tay Gim Chuan accepted the proposed appointment and was appointed Chairman of the Company with effect from 30 June 2020.
- (ii) Mr Andrew Tay Gim Chuan provides advisory services to the Company in the main areas of capital management and mergers and acquisitions.
- (iii) The Group tapped on his experience and expertise in these areas as the Group revamped the legacy businesses of the Group and transformed the Group to a property focused business. The Group continues to utilise his advisory services in the property business in the areas of acquisition of properties, assessment of financial feasibilities of various projects and bank financing for property acquisition and development utilising his vast experience in the banking industry.
- (iv) The independence of each director is reviewed annually including Mr Andrew Tay Gim Chuan. Taking into account the views of the Nominations Committee (with Mr Andrew Tay Gim Chuan abstaining), the Board determined that Mr Andrew Tay Gim Chuan is independent as he continues to demonstrate strong independence in character and judgement in the discharge of his responsibilities as director of the Company, and has continued to express his viewpoints, debated issues and objectively scrutinised and challenged management, notwithstanding the payment made to Mr Tay for his advisory services to the Company

- (v) No director was involved in his own review of independence or in the review of his long tenure.
- (vi) The independence of each Director is reviewed annually by the NC. Each independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The independence of Mr Andrew Tay Gim Chuan and Mr Ng Tiong Gee have been subjected to a more rigorous review as they have served on the Board beyond nine years.

Taking into account the views of the NC, the Board has determined that Mr Ng Tiong Gee and Mr Andrew Tay Gim Chuan continue to be considered Independent Directors, notwithstanding the duration they have served on the Board.

SIAS Question 2

2. Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:
 - (i) Braddell House: What is the occupancy rate of Braddell House? From Note 5 (page 93 – Other income), the group's rental income decreased from \$2.42 million in FY2019 to \$2.08 million in FY2020.
 - (ii) Pakuranga Plaza: Similarly, what is the occupancy rate of Pakuranga Plaza (prior to the pandemic) and what is the current committed occupancy rate?
 - (iii) Remarkables Residences: Remarkables Residences ("RR") is a planned development comprising 200-225 residential units. The group was able to complete Stage 1 (which consists of 56 townhouses) despite the pandemic and has handed over 51 units which have been sold. The proceeds of \$36.87 million has been used to fully repay the secured RR term loan. Can management elaborate on the future plans (including timeline) for RR? How has the pandemic affected the plans?
 - (iv) Bellfield Estate: When does management expect to complete the development and hand over the units in Stage 1 of the Bellfield Estate project? What is the updated status on Remarkables Residences Stage 2?

Company's response to Question 2:

- (i) The occupancy rate of the sub-lettable area of Braddell House is 85.9% as of 30 June 2020.
- (ii) The occupancy rate of Pakuranga Plaza prior to pandemic is 89.7% and the current committed occupancy rate is 86.0%.
- (iii) Sales proceeds amounting to NZ\$40.5m from RR Stage 1 have been collected to date and part of the proceeds had been used to fully repay the secured RR Stage 1 development term loan. The Group expects to launch Stage 2 of Remarkables Residences in 2021 depending on the property market situation in Queenstown and taking into consideration the impact of Covid-19.
- (iv) The Group expects to complete Stage 1 of Bellfield Estate development in FY2021. Please refer to item (iii) response above for update on Stage 2 Remarkables Residences.

SIAS Question 3

3. As disclosed in Note 37(d) (page 142 – Capital risk), the group's gearing ratio increased to 188% as at 30 June 2020. The total gearing ratio is calculated as total debt divided by total equity where total debt refers to the group's borrowings.

The total gearing ratio is calculated as total debt divided by total equity. Total debt refers to borrowings (Note 29). Total equity refers to equity attributable to shareholders of the Company, comprising issued capital (Note 31), accumulated losses (Note 32) and other reserves (Note 33).

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Total debt	126,785	90,663	21,014	16,979
Total equity	67,385	75,844	70,238	70,989
Gearing ratio	188%	120%	30%	24%

(Source: company annual report)

- (i) Has the board provided any guidance to management on the maximum gearing ratio?
- (ii) What is the targeted optimal capital structure to support the group's growth?
- (iii) With the settlement of the Remarkables Residences in August 2020, would the company update shareholders on the latest gearing?
- (v) What is the realised return on investment for the group's Remarkables Residences after accounting for all the costs, including capitalised interest costs? Has the project met the group's expectations based on the initial investment thesis/board approval?
- (vi) With the group's high leverage and the uncertainties caused by the pandemic, does the group have the financial resources to fund all its development projects?

Company's response to Question 3:

- (i) The Board has provided guidance to management to plan the development of each stage such that funding can be met with a combination of bank borrowings, the Group's internal funding and presales.
- (ii) The Group's operating basis is to optimise its current equity capital structure to support the Group's growth.
- (iii) The Company will update shareholders on the gearing and financial position of the Group during the next results announcement for Q2FY2021.
- (iv) Due to commercial sensitivity reasons, the Group does not comment on individual project expected and realised return on investment.
- (v) The Group plans to develop its projects in stages such that funding can be met with a combination of bank borrowings, cashflow from completed stages, the Group's internal funding and presales.

By Order of the Board

Lee Wei Hsiung
Company Secretary
29 October 2020