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 THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The Board of Directors (the "Board") of MYP Ltd. (the "Company") refers to the queries raised by the SIAS on 1 September 2020, and set out below its responses to the questions as follows:

Question 1

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?

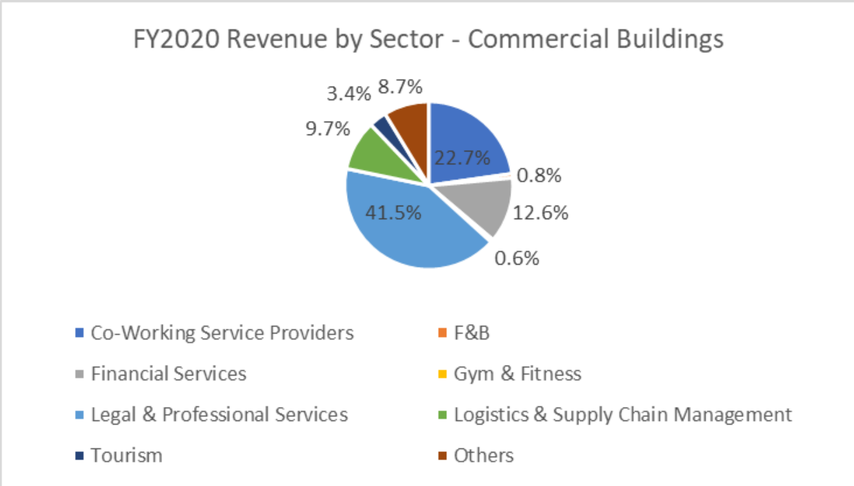
(iii) The group has two major customers that accounted for $12.5 million in revenue in FY2020. The group has signed up a co-working space tenant after a large law firm vacated its space. **Can management elaborate further on the robustness of its credit risk/counterparty risk framework especially for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

Company's responses:

(i) Append below detailed information on Group's revenue for FY2020:

Revenue contribution by property type	%	S$'000
Commercial property - MYP Centre	75.9%	17,717
Commercial property - ABI Plaza	23.0%	5,365
Total Commercial properties	98.9%	23,081
Residential properties	1.1%	249
Total revenue	100.0%	23,330

Revenue contribution by sector	%	S$'000
Co-Working Service Providers	22.7%	5,246
F&B	0.8%	190
Financial Services	12.6%	2,914
Gym & Fitness	0.6%	129
Legal & Professional Services	41.5%	9,579
Logistics & Supply Chain Management	9.7%	2,233
Tourism	3.4%	780
Others	8.7%	2,010
		23,081



Commercial building	Total net lettable area	Occupancy rate	Average rent (per month per square foot)
MYP Centre	154,718	99.3%	9.04
ABI Plaza	92,510	93.1%	4.82

Lease expiry and commitment has been disclosed in Note 24 of the Annual Report 2020 (page 80).

(ii) FY2020

As the Circuit Breaker (CB) commenced only in the month of April 2020, the financial impact of CB has not been reflected in the financial year ended 31 March 2020.

Current FY2021

The Group has been closely monitoring the COVID-19 outbreak since early 2020, given the disruptions and uncertainty that it has on global economic prospects. The Group has assessed the inherent risk of the outbreak and has put in place mitigating measures including those directed by the respective authorities.

Tenants in the sector of F&B, tourism as well as Gym & Fitness are more severely affected by the COVID-19 pandemic as compared to the other sectors. These three sectors contributed 4.8% of the group's revenue in FY2020.

Since April 2020, the Group has provided financial assistance in the form of rental rebates to certain tenants that are most hit by the COVID-19 pandemic. This financial assistance which is being provided in additional to the Government's financial supports such as property tax rebates, rental reliefs and additional rental reliefs.

The Group will continue to monitor the situation and take the appropriate measures to deal with the implications of COVID-19 in accordance with guidelines, regulations and legislations provided by the authorities and will take the necessary actions to ensure the long-term sustainability of the Group.

(iii) Prior to entering an occupancy agreement, the Group performs preliminary assessment on its potential tenants based on their company's background, financial standing, credit worthiness and any other relevant information where necessary. As at financial year ended 31 March 2020, the Group's trade receivables were relatively low at $57,000 (31 March 2019: S$158,000) as disclosed in Note 13 of the Annual Report 2020 (page 64). The trade receivables aging analysis has been disclosed in Note 22(c) of the Annual Report 2020 (page 71).

Upon signing of occupancy agreement, the Group typically collects security deposits equivalent to three months' rental from its tenants.

Question 2

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)

(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?

Company's responses:

(i) As disclosed in Company's responses to SGX queries on 23 July 2020, these assets are held by the Group as an alternative form of investment. As at 31 March 2020, the total amount of $5.7 million represents 0.66% of the Group's total assets.

The independent directors are of the view that these alternative investments are not inconsistent to the Group's business and investment strategy of keeping a strong balance sheet with sufficient resources for future investment needs for long term and sustainable growth. The board of directors had approved the purchase of the art piece.

(ii) Holding costs primarily involved insurance costs for the art pieces. Currently, there is no rental income generated from these art pieces. As these are valuable assets, they are being held in trust by Company's Shareholder, Mr. Jonathan Tahir. He undertakes that should there be any damage or loss of any of these assets, he will compensate the Group at his own expense.

(iii) The independent directors' core competencies mainly comprised accounting or finance, business management, legal or corporate governance and strategic planning.

These art pieces which are carried at cost on initial recognition and reviewed annually for impairment loss. As at 31 March 2020, the estimated fair values in the aggregate was approximately S$6.8 million. As compared to its costs, there was a gain of S$1.1 million. These fair values were based on an independent appraisal report done by an independent qualified appraiser (an accredited member of International Society of Appraisers) who specialises in art valuation.

(iv) As a result of the Group's net loss and given the importance of maintaining a strong balance sheet with sufficient liquidity given the current weak global economic conditions brought about by the COVID-19 pandemic, the independent directors are not recommending any dividend for this financial year 2020.

The independent directors would like to reiterate that the Company does not have a formal dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the earnings, general financial condition, results of operations, capital requirements, cash flow, general business conditions and other factors as the Board may deem appropriate. Given the Company's investment strategy of keeping a strong balance sheet with sufficient resources for future investment purposes for long-term and sustainable growth, no dividend was declared in respect of the financial year ended 31 March 2020.

The independent directors would like to highlight that the **amount owing to a shareholder is unsecured, interest-free and has no fixed term of repayment**. Had the shareholder charged interests to the Group based on bank borrowings rates, the cumulative interest amount from year 2013 to 2020 would have been approximately S$18 million (as appended in below table). It should be noted that this amount has not taken into consideration the opportunity costs involved in granting such loan to the Group.

	2020	2019	2018	2017	2016	2015	2014	2013
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Amount owing to a shareholder								
- As stated in balance sheet	58,192	122,386	158,090	151,867	51,841	10,867	35,350	39,628
Balance at beginning of year	122,386	158,090	151,867	51,841	10,867	35,350	39,628	39,628
Net change	-64,194	-35,704	6,223	100,026	40,974	-24,483	-4,278	-
Balance at end of year	58,192	122,386	158,090	151,867	51,841	10,867	35,350	39,628
Average balance	90,289	140,238	154,979	101,854	31,354	23,109	37,489	39,628
Interest rate[1]	**3.58%**	**3.51%**	**2.92%**	**2.60%**	**1.88%**	**1.51%**	**2.20%**	**2.20%**
Interest amount per annum	3,232	4,922	4,525	2,648	589	349	825	872
Cumulative interest amount								17,962

Footnote:

[1] *Assuming interest was charged based on the average interest rate per annum on the Group's bank borrowings.*

Question 3

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.

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?

Company’s responses:

(i) There is no concentration of powers as the independent directors make up a majority of the Board of Directors. Major decisions are discussed in meetings, deliberated and approved by passing of board resolutions. The Audit Committee reviews all major decisions made by the CEO/the Executive Director. The NC periodically reviews his performance and his appointment to the Board and the Remuneration Committee periodically reviews his remuneration package.

(ii) Given the Group’s size, scope and nature of operations, the Board considered and maintained its opinion that it is not necessary to separate the roles of the Chairman and the CEO. Relevant disclosures in this respect have been made on page 14 of the Company’s Annual Report 2020 as follows:-

The Board is of the view that it is currently in the best interests of the Group to adopt a single leadership structure having Mr Jonathan Tahir as the Executive Chairman and CEO of the Group to facilitate the decision making process of the Group and is thereby better able to guide discussions and ensures that the Board is properly briefed in a timely manner on pertinent issues and developments. In this respect, the Board is also of the view that there is a balance of power and authority with the Board comprises three (3) Independent Directors, one (1) Non-Executive Director and one (1) Executive Director as well as various Committees all chaired by the Independent Directors. As the Board and its committees consist of a majority of independent directors, the Board believes that there are sufficient 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 group of individuals exercising any considerable concentration of power or influence, as such, no lead independent director has been appointed. The Company will review should such a need arise.

The Board has established and set out the division of responsibilities between the roles of Chairman and the roles of CEO notwithstanding that these roles are assumed by the same person.

The Chairman is assisted by the management team in the daily operations and administration of the Group's business activities and in the effective implementation of the Group's business strategies. Information on key executives is set out on page 19 of this Annual Report.

The Chairman also oversees the workings of the Board, ensuring that the Board is able to perform its duties and that there is a flow of information between the Board and the management. He reviews most of the board papers before they are presented to the Board. The management staff who have prepared the papers, or who may provide additional insights, are invited to present the papers or attend the board meetings. He promotes an open environment for debate, and ensures that independent directors are able to speak freely and contribute effectively. He also plays a pivotal role in fostering constructive dialogue among stakeholders, the Board and the Management at various meetings.

(iii) The NC performs annual review of the Directors' mix of skills, and experiences that the Board requires to function competently and efficiently. The Company has plans to progressively refresh the membership of the Board so as to maintain institutional knowledge and continuity.

The NC will continuously review the composition of the Board so that it will have the necessary competency to be effective. The NC will further consider other aspects of diversity, and assist the Board to put in place a board diversity policy and progress for implementation of such policy, so as to avoid groupthink and foster constructive debate. The NC has considered a succession plan and will come out with one where necessary.

By Order of the Board of Directors,
MYP LTD.

Jonathan Tahir
Executive Chairman and Chief Executive Officer
5 September 2020