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

Issuer: MYP LTD.

Stock code: F86

Meeting details:
Date: 29 July 2022
Time: 10.00 a.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 noted in the chairman's message, following the disposal of ABI Plaza at a loss of $(60.1) million in FY2021, the group's main asset is the remaining office building at 9 Battery Road. The investment property is a 28-storey, 999-year Grade A leasehold building with a total net lettable area of approximately 154,708 sq. ft.

The occupancy rates were 93.1% in FY2020, 93.1% in FY20201 and 95.8% in FY2022.

(i) **What is the current committed occupancy rate of 9 Battery Road?**

(ii) **What were the rental reversion rates in the past 3 years?**

(iii) **Will management also show the lease expiry profile to help shareholders better understand the business risks?**

In the 2019 annual report, the net lettable area of 9 Battery Road was disclosed as 158,771 sq ft in the annual report. It was reported as 154,718 sq ft in FY2020 and FY2021 and now 154,708 sq ft in the latest annual report.

(iv) **Can management help shareholders better understand the reasons for the decreasing net lettable area of 9 Battery Road?**

(v) **What asset enhancement has management carried out since the acquisition? Is there potential to increase the net lettable area with better space usage and/or space reconfiguration?**

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Q2. The sale of 11 Keppel Road (ABI Plaza) resulted in a loss on disposal of $(60.1) million in FY2021 as it was disposed of at below the property's valuation. In the EGM circular, it was noted that the historical cost of the property was $165.8 million and the actual cash profit to the group was $34.2 million. The net tangible assets per share decreased from 21.8 cents to 18.1 cents (on a pro forma basis) following the sale of the property at below its market valuation.

In the EGM circular to shareholders, the use of proceeds was disclosed as such:

5. FINANCIAL INFORMATION

5.1. **Use of proceeds**

Taking the gross proceeds of S$200.0 million from the Consideration, the estimated net proceeds after deducting estimated expenses of S$2.5 million pertaining to the Proposed Disposal (which includes legal and professional fees), would be approximately S$197.5 million (the "**Net Proceeds**"). The Company intends to apply the Net Proceeds towards the repayment of bank loan (including prepayment fee) in respect of the Property, the repayment of an interest-free shareholder loan and the general working capital of the Group.

	S$ million
Consideration	200.0
Transaction related expenses (estimate)	(2.5)
Net Proceeds	197.5
Repayment of bank loan (including prepayment fee)	(143.5)
Repayment of shareholder loan[3]	(53.0)
General working capital	1.0

(Source: EGM circular dated 13 January 2021)

As stated in the circular, the sale of ABI Plaza will enable the repayment of shareholder loan of $53 million, or 27% of the net proceeds. After the repayment of bank loan, the company only received $1.0 million in general working capital.

In the statements of financial position (page 38), the amount owning to a shareholder remains at $59.0 million as at 31 March 2022.

(i) **Can the board/management help shareholders better understand if there is a change in the intended use of proceeds? Or has there been a delay in repaying the shareholder loan?**

(ii) **Can the independent directors help shareholders better understand the board approval process (including the level of involvement of the executive chairman) given that 27% of the net proceeds was earmarked to repay the shareholder loan?**

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In FY2019, the sale of 135 Cecil Street ("MYP Plaza") resulted in a gain of $2.0 million while 9 Battery Road was acquired in 2016 for $560 million and is now carried at $554 million.

As noted in the chairman's message, the board has not recommended any dividend for the financial year to "enable the group to maintain a healthy balance sheet with sufficient resources for future investment needs…"

(iii) **Has the board evaluated whether the group's investment properties have achieved returns commensurate with its risks? What is the return on investment (ROI)?**

(iv) **How have the group's investment criteria evolved given the $(60.1) million loss on disposal of 11 Keppel Road and the revaluation loss of 9 Battery Road of $(6) million? Can the board elaborate further on the group's investment strategy, including the timing/pace of acquisitions? How does management value add in a real estate sector that is highly competitive?**

Separately, as disclosed in Note 22 (page 75; Financial instruments: Interest rate risk), the group's exposure to interest rate risks arises from bank borrowings of $322.3 million. In the previous financial year, the group used interest rate derivatives to manage interest rate risk, to the extent that the perceived cost is considered to outweigh the benefit from the flexibility of variable borrowings.

The interest rate swap contracts (for a notional amount of $182 million) had matured and were fully settled in December 2021.

(v) **Can management elaborate further on the interest rate swap contracts that it had entered into in the past? How costly were the interest rate swaps?**

(vi) **Given the market volatility, especially the widely anticipated increases in interest rates, how is the group managing its interest rate risks? Are there plans to hedge its interest rate risks to fixed rates?**

(vii) **What guidance has the board given to management with regard to managing interest rate risks?**

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Q3. At the annual general meeting scheduled to be held on 29 July 2022, the company is proposing to re-elect Mrs Elizabeth Ho Nee Wong Ching Wai.

The profile of the directors can be found on pages 7 and 8 of the annual report. Additional information on the directors seeking re-election can be found on pages 86 to 92.

Mrs Elizabeth Ho Nee Wong Ching Wai was first appointed on 30 July 2012 and would have served for 10 years heading into the AGM. The continued appointment of Mrs Elizabeth Ho Nee Wong Ching Wai as an independent director was approved by shareholders via a two-tier vote at the AGM on 30 July 2021.

In fact, two of the three independent directors, Mr Kishore Prabhakar Sardesai and Mrs Elizabeth Ho Nee Wong Ching Wai, have served on the board for more than nine years.

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

(i) **What deliberations did the board/nominating committee (NC) have regarding the proposed re-election of Mrs Elizabeth Ho Nee Wong Ching Wai given SGX RegCo's guidance?**

Mrs Elizabeth Ho Nee Wong Ching Wai is the chairperson of the nominating committee.

(ii) **How effective was the NC in discharging its responsibilities of reviewing and recommending the re-election of directors given that the NC chairperson is also the subject of the NC's review? Was Mrs Elizabeth Ho Nee Wong Ching Wai involved in the review? What was the basis of the NC's recommendation for the re-election of Mrs Elizabeth Ho Nee Wong Ching Wai?**

(iii) **Will the continued appointments of the long-tenured independent directors impede/delay the progressive renewal of the board? Are there any challenges faced by the board in identifying and onboarding of new board members?**

(iv) **Should Mrs Elizabeth Ho Nee Wong Ching Wai, the chairperson of the nominating committee, lead by example by setting the tone with regard to capping the tenure of independent directors?**

(v) **What are the near-term plans by the board/NC with regard to refreshing the board composition to achieve board renewal and diversity in an orderly manner that also preserves institutional knowledge?**

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)