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Meeting details:

Date: 30 Jul 2024

Time: 10.00 a.m.

Venue: Seminar Room 3, 160 Robinson Road, #06-01 SBF Center, Singapore 068914

Q1. In his message to shareholders, the chairman took “great pleasure” in showcasing the “performance” of the group and expressed his gratitude to stakeholders for the company’s “continued vitality and success.”

For the financial year ended 31 March 2024, the group reported a revenue increase of 5.2% to \$17.8 million. However, the group recorded higher expenses of \$23.3 million in FY2024, compared to \$15.9 million in FY2023, representing a 46.5% increase. The group closed FY2024 with a net loss of \$(8.6) million, compared to the net profit of \$1.8 million achieved in FY2023. The Group’s net asset value per ordinary share as at 31 March 2024 stood at 17.5 cents, down from 18.1 cents on 31 March 2023.

From the consolidated statement of comprehensive income, it is evident that the finance costs of \$17.9 million exceed revenue of \$17.8 million. The group’s finance income of \$2.78 million is not even sufficient to cover staff costs (\$1.5 million) and direct operating expenses of investment properties (\$4.8 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

Group	Note	2024 \$'000	2023 \$'000
Revenue	4	17,811	16,928
Other income	7	13	3
Staff costs	7	(1,508)	(1,373)
Direct operating expenses of investment properties	7	(4,785)	(3,877)
Depreciation expense on plant and equipment		(26)	(31)
Impairment loss on other assets	10	(1,192)	-
Fair value (loss)/gain from investment properties	11	(3,100)	750
Other expenses		(359)	(545)
Results from operating activities		6,854	11,855
Finance income	5	2,775	1,199
Finance costs	5	(17,915)	(11,170)
Net finance costs	5	(15,140)	(9,971)
(Loss)/profit before tax		(8,286)	1,884
Tax expense	6	(275)	(111)
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	7	(8,561)	1,773
(Loss)/earnings per share:			
Basic and diluted (loss)/earnings per share (cents)	8	(0.54)	0.11

(Source: company annual report; emphasis added)

- (i) **Can the chairman elaborate on the specific metrics and achievements that justify his positive characterisation of the group's performance, given the financial losses and increased expenses reported?**
- (ii) **What guidance has the board set for management to achieve in terms of financial performance? Has the board, especially the independent directors, benchmarked the company against other listed peers?**
- (iii) **What efforts are being made by management to better manage the group's interest rate and finance costs?**
- (iv) **Given the current financial challenges, is the board considering a comprehensive evaluation of the long-term performance of management? How would the board weigh the potential advantages of bringing in new executive leadership with a proven track record of driving growth and profitability?**

Q2. The group recognised a \$1.2 million impairment loss on art pieces based on a valuation exercise conducted by an independent professional valuation firm using sales comparison approach, involving comparison of appraised artworks with similar artworks sold in auction houses, considering physical and value characteristics, which is categorised as a Level 3 fair value based on the inputs to the valuation technique used.

10 Other assets

Group	2024	2023
	\$'000	\$'000
At beginning and end of year	5,689	5,689
Impairment loss recognised in profit or loss	(1,192)	-
At end of year	4,497	5,689

During the current financial year, management recorded an impairment loss of \$1,192,000 on the art pieces based on a valuation exercise conducted by an independent professional valuation firm using sales comparison approach, involving comparison of appraised artworks with similar artworks sold in auction houses, considering physical and value characteristics, which is categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Assets held in trust

Other assets comprise of 4 art pieces (2023 - 5 art pieces) with net carrying amount of \$2,497,000 (2023 - \$5,689,000) are held in trust by a shareholder and director.

- (i) **Could the company disclose the identity of the independent professional valuation firm that conducted the art valuation?**
- (ii) From a fair gain of \$1.1 million, the carrying amount has now declined to \$4.5 million, reflecting a fair value loss of \$(1.2) million. **What is the board's view of the art market, and does the board have a strategic plan to monetise the art pieces?**
- (iii) **To what extent did the board contribute to the selection of art pieces and artists? Were the investment decisions influenced primarily by aesthetic appeal or investment value?**
- (iv) **What is the current status of the fifth art piece valued at \$2 million that was previously held in trust by a shareholder and director? Has it been sold, transferred, or kept in storage?**
- (v) **Would the board consider engaging the shareholder and director to explore a sale of the art pieces at or near the original purchase price given that there has been no tangible benefit to the group over the years of ownership?**

Q3. The three independent directors, namely Mr Kishore Prabhakar Sardesai, Mrs Elizabeth Ho Nee Wong Ching Wai and Professor Tan Chin Tiong, were appointed on 27 July 2012, 30 July 2012 and 1 January 2015 respectively.

Accordingly, the directors would have served on the board for 12 years, 12 years and 9.5 years respectively. All three independent directors will retire upon the conclusion of the annual general meeting scheduled to be held on 30 July 2024.

The nominating committee (NC) comprises Mrs Elizabeth Ho Nee Wong Ching Wai (as chair), Professor Tan Chin Tiong Member and Mr Jonathan Tahir Member.

- (i) **Can the NC, especially the NC chair, help shareholders better understand if it has been successful in ensuring the progressive renewal of the board given that all independent directors will retire on the same day?**
- (ii) **With the current “all-out, all-in” plan, how does the board plan to retain and transfer the substantial institutional knowledge that the retiring independent directors have accumulated over their tenure to ensure continuity and a seamless transition for the new board members?**
- (iii) **Is there a risk that the lack of continuity and the absence of institutional knowledge will leave the new board facing a steep and unnecessary learning curve?**

The proposed directors are Er Dr Lee Bee Wah, Mr Michael Chin Sek Peng and Mr Owyong Thian Soo. Detailed information of the proposed directors can be found on pages 84 to 94 of the annual report.

- (iv) **Would the nominating committee (NC) elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the nominations and appointments of the independent directors, as required in the SGX template?**
- (v) **Can the NC elaborate on the search and nomination process for directors, especially IDs? How robust is the process?**

It has been noted that the proposed directors share past and present directorships at other listed companies. For instance, Er Dr Lee Bee Wah and Mr Michael Chin Sek Peng served together on the board of Amcorp Global Ltd while Er Dr Lee Bee Wah and Mr Owyong Thian Soo are directors on Koh Brothers Group Limited. This overlap may lead shareholders to view these three directors as a package, which could compromise the perceived independence of the board.

- (vi) **Could the NC clarify if the selection process for the proposed independent directors involved recommendations from one initial candidate? If so, how does the NC ensure that this approach maintains the independence and objectivity of the appointments? In addition, how does the NC address shareholder concerns about a perceived bundle approach that might affect the directors' perceived independence?**

- (vii) **In the interest of good corporate governance, would the controlling shareholder abstain from voting on the three resolutions relating to the appointment of the directors?**

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

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