METRO HOLDINGS LIMITED
(Company Registration No. 197301792W*)*

RESPONSE TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors (the "**Board**") of Metro Holdings Limited ("**Metro**" or the "**Company**", together with its subsidiaries, the "**Metro Group**") refers to:

(a) the annual report of the Company for the financial year ended 31 March 2023 (the "**Annual Report**"); and

(b) the notice of annual general meeting ("**AGM**") issued on 28 June 2023 informing shareholders that the Company's Fiftieth AGM will be convened at Grand Ballroom, Level 3, Singapore Marriott Tang Plaza Hotel, 320 Orchard Road, Singapore 238865 on Thursday, 20 July 2023 at 3.00 p.m.

The Company would like to thank shareholders for submitting their questions in advance of our AGM.

Please refer to Annex A hereto for the list of questions received from shareholders, and the Management and the Board's responses to these questions.

By Order Of The Board
Tan Ching Chek and Eve Chan Bee Leng
Joint Company Secretaries
14 July 2023

ANNEX A

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

A. Retail

1. **Retail segment remains the biggest contributor of revenue and has generated PAT of S$5.9m in FY2023 as compared to S$3.8m in FY2022 (Refer to page 140 of Annual Report 2023). What is the long term plan for the retail segment given the challenging environment and higher inflation-driven costs in raw materials, labour and energy amidst a highly competitive trading environment?**

   Metro started off as a textile retailer, with six decades of history as an established retail household brand name. As part of the Group's strategy in rationalising our retail business, Metro Centrepoint was closed upon its lease expiry in October 2019 and the Group divested its Indonesian retail associate, PT Metropolitan Retailmart, in December 2019 to our existing partner for a profit while retaining a trademark licensing fee. The Group is constantly evaluating the profitability and sustainability of its existing retail business, which has faced various challenges in recent years, from rising rents to increasing numbers of shoppers going online to shop instead of visiting brick-and-mortar stores.

   Keeping up with the evolving trends, we have also established our e-commerce platform and have implemented a wide range of omni-channel marketing initiatives. Metro is undergoing a digital transformation, with the aim of meeting the evolving buying behaviour and needs of customers. Metro introduced a cross-platform merchandising and selling option to enhance convenience and implemented an omnichannel strategy. Customers can now buy, collect, exchange, and return merchandise from any Metro store, regardless of the channel or platform they choose to engage with. This provides a consistent and integrated shopping experience across various touch points, meeting customers' needs and preferences.

   Going forward, Metro will continue to improve profit margins through better merchandising mix and tighter discount given to customers as well as cost rationalising measures such as better inventory management to remain competitive in the market.

B. Property Investment and Development

1. What is the status of Metro City's lease renewal?

Metro City, Shanghai, remains our flagship property in China. The Board is aware of the short remaining lease tenure of this property and continues to explore ways to extend the lease with our joint venture partner, the municipal government.

2. Refer to Note 30 of Annual Report 2023 (Segment information: Geographical information), it can be seen that over S$970 million of the group's total non-current assets of S$1.56 billion is invested in China.

(i) Can Management offer shareholders a more comprehensive understanding of the prevailing sentiments on the ground in China, specifically in Shanghai and Guangzhou?

The sporadic COVID-19 related lockdowns in Shanghai, Guangzhou and Chengdu during 2022 have affected Metro's properties in these cities. With the relaxation of its stringent zero-COVID-19 policy since December 2022[1] and the opening of China's borders in March 2023[2], China's economy grew 3.0% in 2022, and is forecasted to grow 5.2% in 2023 and 4.5% in 2024[3].

Our investments continue to be subject to increasing headwinds in China. Current difficulties in the office leasing market, particularly in Shanghai, will affect occupancy of our China investment properties. Metro City and Metro Tower in Shanghai, and GIE Tower in Guangzhou reported an average occupancy of 85.0%[4] (92.4%[5]). The Atrium Mall in Chengdu, and Shanghai Plaza in Shanghai achieved occupancy of 90.6%[4] (86.9%[5]) and 97.9%[4] (91.1%[5]) respectively. Our three office buildings in Bay Valley are 65.7%[4] (69.0%[5]) occupied. Our China investments continue to be subject to increasing market headwinds in China.

Shanghai Grade A office net absorption has been unable to keep up with the new supply volume, leading to overall city vacancy increasing to 18.6%. In the core office districts, the vacancy rate rose slightly to 13.2%[6].

In Guangzhou, the Grade A office market is now set for a new supply peak in 2023, boosted by the completion of projects delayed from 2022. A total of 434,181 sqm of new supply is scheduled to come into the market during the year[7].

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[1] CNBC, China Eases COVID Restrictions On Travel And Production, 7 December 2022
[2] NBC News, China To Fully Reopen Borders To Foreigners, But Near-Term Hurdles Remain, 14 March 2023
[3] IMF, World Economic Outlook – A Rocky Recovery, 11 April 2023
[4] As at 31 March 2023
[5] As at 31 March 2022
[6] Cushman & Wakefield, Marketbeat Shanghai Office Q2 2023, 30 June 2023
[7] Cushman & Wakefield, Marketbeat Guangzhou Office Q2 2023, 29 June 2023

(ii) What are Management's views on the strength of the recovery in China and how is the group strategically positioning itself to capitalise on this recovery? Does Management perceive significant challenges in the Chinese real estate sector?

China is one of Metro' key markets and a significant contributor to the Group's performance. China's Zero-COVID-19 policy has a significant effect on our China's investments for the past two-to-three years. As China reopened its economy in January 2023, we have started to see a gradual recovery in the form of inbound business, tourist arrivals and also domestic travel. We also see stronger shopper traffic and tenant sales at our malls, though office leasing market remains challenging.

Notwithstanding the early sign of recovery and overall improved business sentiment, the performance of Metro's China properties and investments will continue to be under pressure and face increasing headwinds.

Through the years, the Group has embarked on the diversification strategy in multi-asset classes by geography, so as to establish a diversified portfolio in resilient sectors, working with experienced and reputable partners. As such, the Group today has properties and investments spanning across Singapore, China, Indonesia, the United Kingdom ("**UK**") and Australia in multi-asset classes including, but not limited to commercial, office, retail malls, industrial/logistics and student accommodation properties.

Going forward, our main focus remains on driving the properties' operational efficiencies for optimal performance across all our asset classes, and extracting the best value from our assets.

3. Metro's investment in BentallGreenOak ("BGO") suffered a huge impairment loss on amounts due from associates in the financial year ended 31 March 2022. Is there any possibility to write-back such an impairment?
(Refer to the Consolidated Income Statement on page 85 of Annual Report 2023 and Notes to the Financial Statements on pages 119 to 121 of Annual Report 2023)

Due to the ongoing China property sector credit situation, impairment losses of S$36.3 million on the amounts due from associates, namely Jovial Paradise and Global Charm, was recognised in the Group's consolidated income statement during the financial year ended 31 March 2022. The impairment assessment was performed based on the associates' exposure on underlying debt instruments which was tied to the associated development projects of the borrowers. The underlying debt instruments are secured in various forms such as by way of share charge over the issued share capital of certain companies (which owns land and properties), personal guarantees and/or corporate guarantees. Given the current market situation of China property sector, the Group had reassessed the impairment loss taking into consideration the Loan-To-Value and Net Asset Value coverage of the underlying securities for these debt instruments. The impairment test had been reviewed and concurred by the auditor as part of their audit in arriving at an unqualified audit opinion on the financial statements for both financial years ended 31 March 2022 and 2023, and there is no sign to write-back the impairment loss at this juncture. Nonetheless Metro continues to monitor the China property market closely.

C. Financial

1. **As illustrated in Annual Report 2023 page 50, the Return on Shareholders' Funds shows 6.47% in FY2019 and thereafter decreases to 1.66% in FY2023. For the Return on Total Assets, it was 5.36% in FY2019 and decreases to 1.04% in FY2023.**

   Net profit attributable to shareholders amounted to S$25.2 million in FY2023 (FY2022: S$23.7 million). In FY2019, it was S$96.3 million.

   (i) Has the Group created value for shareholders since 2020 given the significant decline in returns?

   The Group operates in two business segments mainly in Retail and Property. The retail segment is very operational and is traditionally very labour-intensive. In recent years, technology plays an important role for the business to remain competitive. While the property segment is very capital-intensive, it is subject to the cyclical business environment, and returns can be lumpy as it takes a longer time horizon to reap the financial returns.

   In FY2019, the Group recorded a Net profit attributable to shareholders amounted of S$96.3 million, as compared to S$25.2 million in FY2023.

   Profitability at Metro, like most of its peers, has been affected particularly over the past five years by the geopolitical situations which include the Russia-Ukraine war and United States-China tensions, COVID-19 pandemic as well as an inflationary environment with rising interest rates, operating/energy/food costs and the dampening valuation of real estate investments. Metro's investments in five key countries mainly Singapore, China, Indonesia, the UK and Australia were being affected by all these geopolitical and macro-environment issues, and likely will continue to be subject to the headwinds.

   Despite all these headwinds, the Group has remained profitable all these years and this profitability is testament to the strong foundation built over the years. Besides the profitability metric, which was always affected by lumpiness of fair value/impairment adjustments for real estate segment, the Group has been able to generate positive cash-flow and thus able to declare dividends to the shareholders over the past 10 years. (Refer to Page 91 of Annual Report 2023, Net Cash flow from operating activities plus the dividend from associates, joint-ventures, long-term and short term investments, the Group has generated a positive cash flow from its operating activity and its underlying investments of S$72,160,000 for FY2023 and S$72,322,000 for FY2022. As such, the Group has been able to declare an ordinary dividend of 2 cents for FY2023 and FY2022 and a special dividend of 0.25 cent and 1 cent for FY2023 and FY2022 respectively to reward our shareholders despite the huge fair value/impairment adjustments).

Shareholders’ Funds (i.e. equity attributable to owners of the Company) and Dividends Paid cumulatively for the past 10 years (i.e. since FY2014 to FY2024) delivered a Compound Annual Growth Rate (“**CAGR**”) of approximately 5%. This demonstrates the Group’s ability to deliver value to shareholders.

(ii) Can the Investment Committee (“IC”) offer shareholders insights into the group's investment criteria and how these criteria have been refined to address the challenges arising from a high-interest rate environment, among other factors?

In evaluating a new investment proposal or business opportunity, several factors will be considered by the Board, the IC and Management before a decision is taken. These factors, which are essentially considered to ensure that the rate of returns commensurate with the risk exposure taken, including evaluating (i) return on investment; (ii) the pay-back period; (iii) cash flow generated from the operation; (iv) potential for growth; (v) investment climate; and (vi) political stability (refer to Corporate Governance section on page 69 of Annual Report 2023). In addition to a thorough valuation process, the due diligence exercise will often include market and competitive scan, finance and legal aspects, cost of capital and business partners.

Interest rate which is affecting the cost of funding is one of the many key financial parameters to evaluate the returns of investments, amongst others such as foreign exchange exposure, taxes (i.e. corporate, VAT, withholding taxes), capital gain taxes, ability to repatriate capital/revenue streams… etc. Cost of funding, i.e. interest rate at the Group level and at the respective markets/jurisdictions will be adjusted accordingly in order to evaluate the hurdle returns of the underlying investments.

(iii) In addition, will the IC undertake a comprehensive review of the factors contributing to the relatively low returns witnessed over the past four years? Going forward, what are the strategies to crystallise higher returns from the group’s existing investments?

Metro Board and Management have been undertaking a comprehensive review of all the investments at every IC, Strategy and Board meetings.

Given the existing challenging environment, the Board and Management will continue to position the Group for resilience through the execution of its diversification strategy across partners, countries, sectors for sustainable returns.

2. **The Group has exposure in Chinese renminbi (RMB), United States dollar (USD), Hong Kong dollar (HKD), Sterling pound (GBP), Australian dollar (AUD) and Indonesia rupiah (IDR). How does the Group manage its foreign currency exposure? Any hedges in place?**
   (Refer to the Notes to the Financial Statements on page 144 to 145 of Annual Report 2023)

   The Group is exposed to the effects of foreign currency exchange rate fluctuations, primarily in relation to Chinese renminbi (RMB), United States dollar (USD), Hong Kong dollar (HKD), Sterling pound (GBP), Australian dollar (AUD) and Indonesian rupiah (IDR). Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream. Transactional exposures in currencies other than the entity's functional currency are kept to a minimal level.

   The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including United Kingdom and Australia. The Group’s investment in certain United Kingdom and Australia associates and a joint venture are hedged by GBP and AUD denominated bank loans, which mitigates currency exposure arising from the associates’ and joint venture’s net assets.

   Hedging can be costly for certain currencies such as Chinese renminbi (RMB) and Indonesian rupiah (IDR). As such, the Group takes into consideration before investing whether the investment is held with a long-term, mid-term or a short-term view before entering into any hedges, wherever possible.

3. **Rising interest rate has adversely impacted most of the companies, we also witnessed a rising finance costs in Metro Group’s financial statement, what is the Group’s strategy in managing the rising interest rate environment ? Any hedges in place?**
   (Refer to the Notes to the Financial Statements on page 144 of Annual Report 2023)

   Globally all central banks had hiked interest rates aggressively to fight spiralling inflation. Consequently, cap rates have increased, resulting in fair value adjustments downwards for real estate. The market is also predicting that interest rates would peak after a further 25 to 50 basis points hike, and expects rate cuts next year.

   Though the Group does not have a fixed policy for interest-rate hedging, it has approximately one-third of its debts being fixed-rate. The Group has been diversifying its debt profile with term loans, committed and uncommitted revolving banking lines, as well as bond issuances, which can help to manage the interest expense in view of the rising interest rate environment that affects market liquidity and cost of funding. The Group monitors the interest rate trends in its respective markets/jurisdictions closely, and will hedge its loans at an appropriate time on a case-by-case basis.

As part of prudent capital management, where liquidity is of paramount importance, the Group conducts robust cash flow management where the operating cash flows of our investments and business operations are regularly being reviewed and monitored. Amidst the rising interest rate backdrop, the Group's Interest Cover ratio is 3.2x with an average interest rate of 3.7%.

As at 31 March 2023, the Group has delivered a healthy balance sheet with Net Assets of S$1.5 billion, S$343.9 million of Cash and Cash Equivalents and Short-Term Investments, a Net Gearing (Net Debt/Equity) of 0.18x, with available banking lines to enable us to weather through this challenging environment.

D. General

1. Has the Board deliberated on the possibility of gradually returning capital to shareholders so that they can make their own capital allocation decisions?

Metro has considered capital return to shareholders, but has not done so beyond the proposed ordinary and special dividends mainly for the following reasons:

i. Metro operates in cyclical sectors and particularly during periods of uncertainty or downturns, the Group needs to preserve capital. This strategy will enable us to weather these economic challenges, maintain stability, and sustain operations without relying on shareholder funds and incurring excessive debts;

ii. Preserving cash is important to ensure that the Group can continue to be able to meet working capital requirements/operational needs, finance on-going projects, unforeseen expenditures and/or interest and debts obligations; and

iii. As the real estate sector is very capital intensive, the Group needs to retain capital in order for us to pursue strategic initiatives and seize any opportunities that arise, so as to continue to grow shareholder's value in the long run.

2. Has the Board reviewed, and is the Board satisfied with, the average Return On Equity ("ROE") achieved by the group in the past five years? For the benefit of shareholders, what are the key performance indicators used to measure the performance of Executive Director ("ED")? Did the Remuneration Committee give due regard to prevailing market conditions as well as the financial and commercial health of the group?

Over the past five years, Metro has embarked on its strategy to diversify geographically and by asset classes, with the goal of growing its recurring versus non-recurring income. The resilience of the Group's portfolio of property assets and businesses amidst the challenging business environment over past five years bears testament to the strong foundation.

Metro's ROE, like most of its peers, has been affected by the geopolitical situations, which include the Russia-Ukraine war and United States-China tensions, COVID-

19 pandemic as well as an inflationary environment with rising interest rates, operating/energy/food costs and dampening the valuation of real estate investments. Metro's investment in five key countries mainly Singapore, China, Indonesia, the UK and Australia, was affected by and continues to be subject to all these geopolitical and macro-environmental headwinds.

That being said, as discussed earlier on, the Group has remained profitable all these years despite headwinds and is testament to the strong foundation. Besides the profitability metric, which was always affected by lumpiness of fair value/impairment adjustments for the real estate segment, the Group has been able to generate positive cash flow from its operating activities and its underlying investments as discussed in C1(i) above and thus able to declare dividends to the shareholders.

As real estate investment is capital intensive and more prone to the cyclical business environment, it requires the Group to take a longer time horizon in evaluating returns. As calculated, the Shareholders' Fund and Dividend Paid cumulative for the past 10 years (i.e. since FY2014 to FY2024) delivered a CAGR of approximately 5%. This has demonstrated the Group's ability to deliver value to shareholders over the years.

Similarly, the remuneration paid to the ED is also linked to the Group's financial performance, with considerations on fair value/impairment adjustments due to the cyclical and volatility of real estate investments. This is for alignment of interests to ensure sustainable growth of the Company and shareholder value.

We continually review our businesses, enhance our assets and seek opportunities for sustainable growth. During the current challenging environment, the Board and Management's focus is on ensuring optimal performance of its investments and capital structure so as to deliver long term sustainable returns to the shareholder.