美羅 METRO

NEWS RELEASE

METRO HOLDINGS REGISTERS NET PROFIT AFTER TAX OF S$16.8 MILLION

- ***1HFY2023 Profit After Tax of S$16.8 million, as compared to S$18.4 million in 1HFY2022, mainly due to:***
  - ***Lower share of profit of joint ventures due to lower contributions from the investment properties in China, rental rebates and waivers granted to tenants brought about by disruptions from China's zero COVID-19 policy and sporadic lockdowns, mitigated by higher share of profit of associates***
- ***Continues to invest for resilience across its key markets:***
  - ***Australia – Acquires its 17th property in Australia, neighbourhood retail centre Shepparton Marketplace in Victoria***
  - ***United Kingdom ("UK") – Grows UK Purpose-Built Student Accommodation ("PBSA") portfolio with four PBSA acquisitions in Exeter, Durham, Glasgow and Kingston***
  - ***Singapore – Invests S$6.0 million for 10% stake in Docmed Technology Pte. Ltd.***
- ***Maintains a strong balance sheet with Net Assets of S$1.6 billion and Total Assets of S$2.4 billion***

Singapore, 11 November 2022 – Main Board-listed Metro Holdings Limited ("**Metro**" or the "**Group**") ("美罗控股有限公司"), a property investment and development group backed by established retail operations, registered net profit after tax of S$16.8 million for the first half year ended 30 September 2022 ("**1HFY2023**"), as compared to S$18.4 million in the same corresponding period a year ago ("**1HFY2022**"). This was mainly from lower share of profit of joint ventures due to lower contributions from the investment properties in China, rental rebates and waivers granted to tenants brought about by disruptions from China's zero COVID-19 policy, and sporadic lockdowns in 1HFY2023, which was partially offset by higher share of profit of associates from the increased stake

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to 30% in a portfolio of properties in Australia, and lower share of loss from the contributions of investment properties in China mainly attributed to Shanghai Plaza with its increased occupancy of 92.3%.

The Group posted revenue of S$53.9 million in 1HFY2023, as compared to S$40.8 million in 1HFY2022, largely due to the retail division reporting higher sales of S$47.3 million in 1HFY2023 from S$35.3 million in 1HFY2022 mainly due to shorter operating hours in 1HFY2022 from 17 May 2021 to 18 Aug 2021 in the two department stores in Singapore during Phase 2 and Phase 3 (Heightened Alert). The Group recognised higher sales of property rights of the residential development projects in Bekasi and Bintaro, Jakarta.

Metro Chairman, Lt Gen (Rtd) Winston Choo ("朱维良"), said, "Following Metro's 65th Anniversary celebrations in March 2022, the Group has made progress in our goal to further diversify for resilience amidst the volatile environment with rising interest rate, higher inflation and geopolitical uncertainties. Going forward, together with experienced partners, we continue to focus on our key sectors and countries where we see long term growth."

Review of Financial Performance

Property Division

The Property Division's revenue for 1HFY2023 increased to S$6.6 million from 1HFY2022's S$5.5 million mainly due to higher sales of property rights of the residential development properties in Bekasi and Bintaro, Jakarta, by S$1.4 million to S$3.5 million in 1HFY2023 from S$2.1 million in 1HFY2022, which was largely impacted by the ongoing COVID-19 pandemic.

The average occupancy rate for Metro's five investment properties – GIE Tower in Guangzhou, China; Metro City and Metro Tower in Shanghai, China; the fully-leased freehold office property at 5 Chancery Lane in Central London, the UK; and Asia Green, Singapore – remain high at 91.1% as at 30 September 2022.

Property segment, excluding finance costs, associates and joint ventures, reported a lower profit of S$5.0 million in 1HFY2023 as compared to S$6.3 million in 1HFY2022. Despite an unrealised foreign exchange loss of S$2.6m in 1HFY2023 as compared to a gain of S$0.7 million in 1HFY2022, this was offset by higher gross profit contribution from sale of property rights of the residential development properties in Bekasi and Bintaro, Jakarta, by S$0.5 million in line with higher revenue, higher dividend income from long term investments by S$0.5 million and lower net unrealised fair value loss of short term and long term investments by S$0.6 million in 1HFY2023.

Share of profit of associates increased by S$6.1 million to S$8.6 million in 1HFY2023 from S$2.5 million in 1HFY2022 mainly due to higher contribution from the increased stake to 30% in a portfolio of properties in Australia by S$2.5 million, and lower share of loss by S$3.6 million from the contributions of investment properties in China mainly attributed to lower share of loss from Shanghai Plaza by S$6.1 million, partially offset by lower share of profit from Top Spring by S$2.3 million.

Share of profit of joint ventures decreased by S$9.1 million to S$14.9 million in 1HFY2023 from S$24.0 million in 1HFY2022 mainly due to lower contributions from the investment properties in China, rental rebates and waivers granted to tenants brought about by disruptions from China's zero COVID-19 policy, and sporadic lockdowns in 1HFY2023.

Retail Division

Metro's retail revenue increased to S$47.3 million in 1HFY2023 from S$35.3 million in 1HFY2022 mainly due to shorter operating hours in 1HFY2022 from 17 May 2021 to 18 Aug 2021 in the two department stores in Singapore during Phase 2 and Phase 3 (Heightened Alert). Segment results reported a profit of S$3.3 million in 1HFY2023 as compared to a loss of S$0.7 million in 1HFY2022 in line with higher revenue and improved margins.

The Group’s retail business continues to be impacted by the higher inflation-driven costs in raw material, labour and energy amidst a highly competitive trading environment.

Key Investments and Strategic Moves

In Australia, Metro, together with its Joint Venture partner, the Sim Lian Group of Companies (“**Sim Lian**”) acquired freehold neighbourhood retail centre Shepparton Marketplace (“**Shepparton**”) in Victoria in September 2022 for a purchase consideration of approximately A$92.0 million (approximately S$85.7 million). The Australian portfolio, of which Metro owns 30%, will hold a total of 17 quality freehold properties comprising 4 office buildings and 13 retail centres spanning across 4 key states, namely New South Wales, Victoria, Queensland and Western Australia, with a total appraised value of approximately A$1.2 billion (approximately S$1.1 billion) and has a high average occupancy of 95.8% and a weighted average lease expiry (“**WALE**”) of approximately 6.1 years by income. Metro further expands its existing Australian portfolio with this acquisition, allowing more synergies in asset and leasing management in Victoria, with a more balanced retail exposure across New South Wales and Queensland.

In May 2022, Metro, together with its Joint Venture partners, Lee Kim Tah Holdings Limited (“**LKT**”) and Woh Hup Holdings Pte Ltd (“**WH**”) grows its Purpose-Built Student Accommodation (“**PBSA**”) Fund in the UK with four acquisitions in Exeter, Durham, Glasgow and Kingston for a total purchase consideration of approximately £74.4 million (approximately S$119.0 million). Together with the two existing properties of Red Queen, Warwick, and Dean Street Works, Bristol, the total portfolio of six freehold PBSA properties achieved a committed average occupancy rate of 85.7% as at 30 September 2022.

Metro continued to diversify for resilience by investing S$6.0 million for a 10% stake in Docmed Technology Pte. Ltd. ("**Docmed**") in its Series A fund raising in May 2022. Docmed is involved in the development of integrated healthcare platform solutions for the healthcare industry, and will directly hold Pan-Malayan Pharmaceuticals Pte Ltd, which is in the business of wholesaling pharmaceuticals, medical supplies and medical disposables in Singapore. Docmed's growth plans include developing more digital capabilities in healthcare in the areas of supply chain management and creating new digital tools for end patient disease management, as well as expand its B2B platform in the region.

Group Chief Executive Officer, Yip Hoong Mun ("叶康文"), said, "Amidst the elevated levels of global geopolitical and economic uncertainties, Metro will exercise caution and prudence while taking proactive measures to maintain strong capital management discipline, including preserving cash, optimising cash flows and liquidity, and to actively manage our existing investment portfolio to optimise returns and capitalise on new opportunities to enhance shareholder value. With regards to our asset management strategy, we will prioritise critical asset enhancement, while deferring uncommitted capital expenditure, implementing cost saving measures and deploying derivative instruments to hedge the underlying interest rate exposures, where possible. The Group continues to maintain a strong liquidity position comprising cash and available undrawn banking facilities."

Strong Balance Sheet

Metro's balance sheet remained strong with net assets of S$1.6 billion and total assets of S$2.4 billion as of 30 September 2022.

Outlook

The Group is aware and will monitor the geopolitical challenges and looming recession brought about by three powerful headwinds: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China[1]. On 2 November 2022, the US Federal Reserve ("**FED**") raised interest rates by another 75 basis points and said its battle against inflation will require borrowing costs to rise further, yet signalled it may be nearing an inflection point in what has become the swiftest tightening of US monetary policy in 40 years. The double-sided message left open the possibility that the FED may raise rates in smaller increments in the future, ending its sequence of 75 basis point hikes as soon as December 2022 in favour of more tempered increases of perhaps 50 basis points, while also leaving policymakers room to continue pushing rates higher if inflation doesn't start to slow[2]. Rising interest rates will impact capitalisation rates and the valuation of Metro's properties. The International Monetary Fund ("**IMF**") projects global growth to remain unchanged at 3.2%, and is expected to slow to 2.7% in 2023. More than a third of the global economy will contract this year or next, while the three largest economies – the United States, the European Union, and China – will continue to slow down[3].

The geopolitical tensions between the US and China may likely impact the Group's asset valuation and foreign exchange exposure. The 20th National Congress of the Chinese Communist Party ("**CCP**") was held in Beijing from 16-22 October 2022, with Xi Jinping securing a third term as general secretary of the CCP and filling the new Politburo Standing Committee with allies[4]. According to the IMF, the prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis have induced a downgrade in 2022 GDP and have affected our China properties. China's economy grew 8.1% in 2021, and is forecasted to grow 3.2% in 2022 and 4.4% in 2023[5]. Our China investment properties, mainly Metro City and Metro Tower in Shanghai, and GIE Tower in Guangzhou reported an average occupancy of 88.6%. The Atrium Mall in Chengdu, and Shanghai Plaza in Shanghai has achieved occupancy of 84.4% and 92.3% respectively. The three office buildings in Bay Valley are approximately 70% occupied.

[1] *IMF, World Economic Outlook – Countering the Cost-of-Living Crisis, 17 October 2022*
[2] *Reuters, FED Jacks Up Interest Rates Again, Hints At Smaller Increases Ahead, 2 November 2022*
[3] *IMF, World Economic Outlook – Countering the Cost-of-Living Crisis, 17 October 2022*
[4] *Reuters, The Power Of One: Xi Solidifies Grip At Party Congress, 24 October 2022*
[5] *IMF, World Economic Outlook – Countering the Cost-of-Living Crisis, 17 October 2022*

Our associate, Top Spring International Holdings Limited and co-investments with BentallGreenOak continues to be subject to market headwinds in China and Hong Kong.

Singapore's GDP grew by 7.6% in 2021, rebounding from the 4.1% contraction in 2020[6]. For 2022, the Ministry of Trade and Industry narrows the GDP growth forecast for 2022 to "3.0 to 4.0 per cent", from "3.0 to 5.0 per cent"[7], with a 4.4% growth in 3Q2022[8]. Office rents in decentralised markets (City Fringe and Suburban) also climbed 1.3% quarter-on-quarter in 3Q2022 amidst vacancy rates tightening to 5% in 3Q2022 from 5.3% in 2Q2022[9]. These developments will continue to benefit our premium Grade-A office towers at the Tampines Regional Centre which has achieved an occupancy rate of 89.8%. Rental increases were observed for all industrial asset classes during 3Q2022 as vacancy rates remained relatively tight with city-fringe business park and Science Park rents also increasing in tandem with the broader market[10]. Metro is well positioned given our December 2020 investment in 26% of both the Units and 7.0 per cent notes due 2031 in the Boustead Industrial Fund ("**BIF**"), with a quality portfolio of 15 industrial, business park, high-spec industrial and logistics properties in Singapore. The entire BIF portfolio enjoys a high committed average occupancy of 98.2% and a long WALE of approximately 5.8 years as at 30 September 2022.

According to the IMF, Indonesia recorded annual GDP growth of 3.7% in 2021, and is forecast to grow 5.3% in 2022, based on moderate tax policy and administration reforms, some expenditure realisation, and a gradual increase in capital spending over the medium term in line with fiscal space[11]. A lack of development in the Jakarta Central Business District ("**CBD**") due to the scarcity and high price of land is driving investors and end-user buyers to consider apartment projects outside the CBD, including the eastern area of Jakarta[12] and this should benefit our residential projects in Bekasi and Bintaro, Jakarta, where we see a pick-up in apartment sales.

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[6] *MTI Singapore, MTI Maintains 2022 GDP Growth Forecast at "3.0 to 5.0 Per Cent", 17 February 2022*
[7] *MTI Singapore, MTI Narrows Singapore's GDP Growth Forecast for 2022 to "3.0 to 4.0 Per Cent", 11 August 2022*
[8] *MTI Singapore, Singapore's Economy Expanded by 4.4 Per Cent in the Third Quarter of 2022, 14 October 2022*
[9] *Cushman & Wakefield, Marketbeat Singapore Office Q3 2022, 12 October 2022*
[10] *Cushman & Wakefield, Marketbeat Singapore Industrial Q3 2022, 11 October 2022*
[11] *IMF, World Economic Outlook – Countering the Cost-of-Living Crisis, 17 October 2022*
[12] *Colliers, Jakarta Quarterly, 5 October 2022*

According to the IMF, UK GDP grew 7.4% in 2021 and is forecast to grow 3.6% in 2022[13]. On 3 November 2022, the Bank of England raised interest rates to 3% from 2.25% and warned that the British economy might not grow for another two years[14]. Despite this trend, the UK PBSA sector continues to be active with Scape Student Living's £173 million forward-funding agreement for 713 student beds on London's 181 Talgarth Road[15]. Metro's six freehold PBSA properties are well-positioned in this environment and enjoys committed average occupancy of 85.7%. Jones Lang LaSalle forecasts that Manchester home prices will grow by 16.4% from 2022-2026, the fastest of all of the major UK cities[16]. This benefits our 2,215 unit development at Middlewood Locks, where Phase 1 and Phase 2 development have been fully sold and handed over. Phase 3 has commenced construction in 2Q2022 with completion expected in late 2024. Sales and marketing activities are in progress. As for Central London office, the total 3Q2022 vacancy rate increased to 8.1%, mainly driven by an increase in the East London market and remained above the long-term average of 5.3%[17]. Our office property at 5 Chancery Lane continues to be fully leased through March 2023 and Metro will evaluate various options including and not limited to asset enhancement works.

On 1 November 2022, the Reserve Bank of Australia ("**RBA**") raised the cash rate by 0.25% to 2.85% to achieve a more sustainable balance of demand and supply in the Australian economy so as to bring inflation back down. The RBA expects to increase interest rates further over the period ahead[18]. The outlook for economic growth in Australia remains positive, and the IMF expects growth of 3.8% in 2022 and 1.9% in 2023[19]. Metro's acquisition of its 17th property in Australia, Shepparton Marketplace in Victoria deepens its presence in Australia.

[13] *IMF, World Economic Outlook – Countering the Cost-of-Living Crisis, 17 October 2022*
[14] *Reuters, Bank Of England Raises Rates By Most Since 1989 Even As Long Recession Looms, 3 November 2022*
[15] *Colliers, United Kingdom Property Snapshot, 16 June 2022*
[16] *JLL, UK Residential Forecasts, 2 November 2021*
[17] *JLL, Q3 2022 Central London Office Market Report, 28 October 2022*
[18] *Reserve Bank of Australia, Statement By Philip Lowe, Governor: Monetary Policy Decision, 1 November 2022*
[19] *IMF, World Economic Outlook – Countering the Cost-of-Living Crisis, 17 October 2022*

ABOUT METRO HOLDINGS LIMITED

Listed on the Main Board of the SGX-ST in 1973, Metro Holdings started out in 1957 as a textile store on 72 High Street. Over the years, Metro has grown to become a property and retail group with investments and operations in the region.

Today, the Group operates two core business segments – property investment and development, and retail – and focuses on key markets in Singapore, China, Indonesia, the UK and Australia.

Property Investment and Development

The Group's property arm owns and manages several prime retail and office properties in first tier cities in China, such as Shanghai and Guangzhou, and up-and-coming high growth cities like Chengdu. Through strategic partnerships and joint ventures, the Group has expanded its portfolio to cover a fuller spectrum of properties in Singapore, China, Indonesia, the UK and Australia.

Retail

Metro's retail arm serves customers through two Metro department stores in Singapore. The Metro shopping brand is an established household name in the retail industry and offers a wide range of quality merchandise.

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