Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Metro Holdings Limited

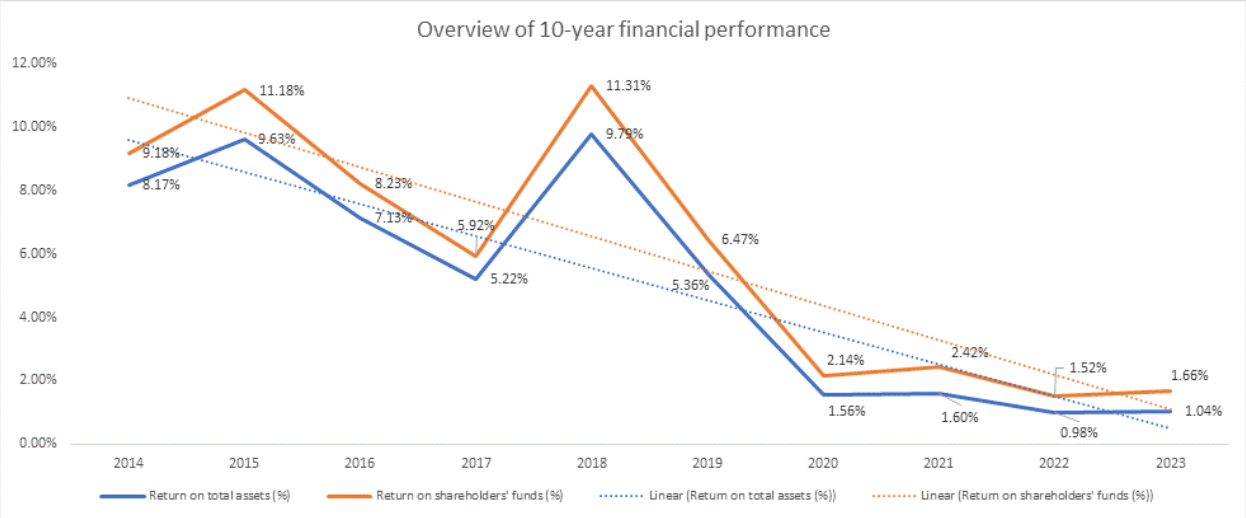
Stock code: M01

Meeting details:
Date: 20 July 2023
Time: 3.00 p.m.
Venue: Grand Ballroom, Level 3, Singapore Marriott Tang Plaza Hotel, 320 Orchard Road, Singapore 238865

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Q1. As noted in the company's profile, the company was first listed on SGX in 1973 and it has expanded from Singapore to China, Indonesia, the United Kingdom and Australia. As at 31 March 2023, the group operates two core business segments – property investment and development, and retail. It has net assets of $1.5 billion and a turnover of $117.2 million.

The trends in return on total assets and shareholders' funds are shown below:



(Compiled from company's annual reports)

Net profit attributable to shareholders amounted to $25.2 million in FY2023 (2022: $23.7 million). In 2019, it was $96.3 million.

The board has established an investment committee comprising Lt-Gen (Retd) Winston Choo Wee Leong as the chairman, along with members Gerald Ong Chong Keng, Tan Soo Khoon, Deborah Lee Siew Yin, Yip Hoong Mun and Soong Hee Sang.

(i) **Has the board or the company assessed the cost of capital, particularly considering the prevailing high-interest rate environment?**

(ii) **If so, has the group created value for shareholders since 2020 given the significant decline in returns?**

(iii) **Can the investment committee 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?**

(iv) **In addition, will the investment committee 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?**

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(v) **Has the board deliberated on the possibility of gradually returning capital to shareholders so that they can make their own capital allocation decisions?** This is particularly pertinent considering the recent track record of the company.

Q2. A concise overview of the group's key investments can be found on page 5 (reproduced below):

METRO HOLDINGS AT A GLANCE

SINGAPORE

Asia Green,
Boustead Industrial Fund
- Bombardier Aerospace
- 11 Seletar Aerospace Link
- 26 Changi North Rise
- 16 Tampines Industrial Crescent
- 85 Tuas South Avenue 1
- 10 Tukang Innovation Drive
- GSK Asia House
- Edward Boustead Centre
- Continental Building – Phase 1
- Continental Building – Phase 2
- Continental Building – Phase 3
- 10 Changi North Way
- 12 Changi North Way
- 16 Changi North Way
- 351 Braddell Road

CHINA

Shanghai
Metro City, Metro Tower,
Shanghai Plaza, Bay Valley

Guangzhou
GIE Tower

Chengdu
The Atrium Mall

INDONESIA

Jakarta
Trans Park Juanda, Bekasi,
Trans Park Bintaro

UNITED KINGDOM

Manchester
Middlewood Locks

Sheffield
Sheffield Digital Campus

London
5 Chancery Lane

Warwick
Red Queen

Bristol
Dean Street Works

Durham
St. Giles Studios

Exeter
Iron Bridge Studios

Glasgow
Gallery Apartments

Kingston
73-77 Penrhyn Road

AUSTRALIA

New South Wales
50 Margaret Street,
Jordan Springs, Lake Munmorah,
Ropes Crossing Village,
Cherrybrook Village

Victoria
390 St Kilda Road, Tarneit Gardens,
Coltman Plaza, Lara Village,
Shepparton Marketplace

Queensland
100 Edward Street, Town Square
Redbank Plains, Everton Park
Woolworths, Everton Park Home
Centre, Woolworths Rothwell

Western Australia
59 Albany Highway, Dalyellup

CHINA INVESTMENT

Top Spring
BentallGreenOak Fund II
BentallGreenOak Fund III

SINGAPORE INVESTMENT

MGSA Private Trust
Daiwa House Logistics Trust

(Source: company annual report)

Further in Note 30 (Segment information: Geographical information), it can be seen that over $970 million of the group's total non-current assets of $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?**

(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?**

(iii) **Does management perceive significant challenges in the Chinese real estate sector?**

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As noted in the chairman's message, the group has established a diversified portfolio in "resilient sectors" working along with "experienced and reputable partners". The list of partners can be found at the following URL:
https://www.metroholdings.com.sg/about_partnerships.html

Some of the partners (and investments) include Boustead Industrial Fund, Mapletree Global Student Accommodation Private Trust, Woh Hup Holdings Pte Ltd, Sim Lian Group of Companies, Top Spring International Holdings Limited, BentallGreenOak and Daiwa House Logistics Trust.

(iv) **How does the group select its partners?**

(v) **Can management elaborate further on the exit/monetisation strategy for its investments that are usually passive in nature, for example, DocMed Technology Pte. Ltd., Daiwa House Logistics Trust, United Hampshire US REIT, BentallGreenOak Funds and Mapletree Global Student Accommodation ("MGSA") Private Trust?**

(vi) **What is the group's competitive advantage in investing in IPOs of SGX-listed REITs?**

(vii) **In particular, what are the board's plans for its investments in Top Spring and the BentallGreenOak funds?**

Q3. Mr Yip Hoong Mun was appointed the Group Chief Executive Officer and executive director with effect from 1 June 2019. He is a member of the investment committee. Mr Yip Hoong Mun is the only executive director on the board.

The biography of the director can be found on page 22 of the annual report.

The remuneration of Mr Yip Hoong Mun is as follows:
FY2023: $2,434,000 with bonuses of 40% and 3% from long term incentives
FY2022: $2,417,000 with bonuses of 45% and 5% from long term incentives
FY2021: $2,301,000 with bonuses of 42% and 6% from long term incentives
FY2020*: $1,812,000 with bonuses of 38% and 6% from long term incentives

Mr Yip Hoong Mun was appointed as executive director and Group Chief Executive Officer on 1 June 2019 and the remuneration in FY2020 included the period in which he was the Deputy Group Chief Executive Officer until 31 May 2019.

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An extract of the group's 5-year financial summary is shown below. It is noted that net profit attributable to shareholders have decreased significantly to $25 million, special dividends to shareholders have been substantially cut by 90%, shareholders' funds have in fact decreased from $1.51 billion to $1.46 billion and return on total assets averaged about 1% in the past two years. The group now has a net debt-equity ratio of 0.18 times in 2023, when it was in a net cash position in 2019.

FINANCIAL SUMMARY

	2023	2022	2021	2020	2019
Financial Results (S$'000)					
Revenue	117,237	100,503	97,323	210,254	171,964
Profit from operations before taxation	31,723	31,699	47,562	39,731	108,033
Taxation	(6,379)	(8,048)	(10,567)	(6,651)	(11,338)
Profit net of taxation	25,344	23,651	36,995	33,080	96,695
Non-controlling interests	(193)	49	(243)	(832)	(413)
Net profit attributable to shareholders	25,151	23,700	36,752	32,248	96,282
Net final dividend proposed/paid	16,561	16,561	16,561	16,561	16,561
Net final special dividend proposed/paid	2,070	8,280	2,070	–	20,701
Financed by:					
Share capital	169,717	169,717	169,717	169,717	169,717
Treasury shares	(1,768)	(1,768)	(1,768)	(1,768)	(1,768)
Reserves	1,288,741	1,411,897	1,368,700	1,332,130	1,342,350
Shareholders' funds	1,456,690	1,579,846	1,536,649	1,500,079	1,510,299
Non-controlling Interests	24,626	26,012	28,847	28,618	23,856
	1,481,316	1,605,858	1,565,496	1,528,697	1,534,155
Financial Ratios					
Earnings per share after tax and non-controlling interests (cents)#	3.00	2.90	4.40	3.90	11.60
Return on shareholders' funds (%)^#	1.66	1.52	2.42	2.14	6.47
Return on total assets (%)^#	1.04	0.98	1.60	1.56	5.36

(Adapted from company annual report; emphasis added)

(i) **Would the remuneration committee (RC) help shareholders better understand the justification(s) for the bonuses paid to the executive directors given the return on assets ranged from 0.98% to 1.6% in the past four years?**

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(ii) **For the benefit of shareholders, what are the key performance indicators used to measure the performance of executive directors? How are these measured?**

(iii) **What are the total shareholders' returns for the period from 2019 to 2023 (since the appointment of Mr Yip Hoong Mun as executive director), from 2014 to 2023 (10-year period) and from 2007 to 2023 (since the appointment of Lt-Gen (Retd) Winston Choo Wee Leong as chairman of the board)?**

(iv) **Did the RC give due regard to prevailing market conditions as well as the financial and commercial health of the group?** For instance, the group received over $5 million in government grants in 2021 and 2022 under the Jobs Support Scheme.

(v) **Please elaborate further on how the current remuneration practices are aligned to shareholders' interests. Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?** (Please also refer to Question 1 on the cost of capital and the returns achieved by the group.)

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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