General Announcement::Metro Holdings Limited - News Release

Issuer & Securities

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NEWS RELEASE

METRO HOLDINGS REPORTS REVENUE OF S$28.3 MILLION AND NET PROFIT OF S$16.4 MILLION FOR 2QFY2017

- ***Lower bottomline mainly due to absence of a one-off gain of S$4.3 million from disposal of Frontier Koishikawa***
- ***Maintains healthy balance sheet with shareholders' equity of approximately S$1.3 billion as at 30 September 2016***

Singapore, 14 November 2016 – Main Board-listed Metro Holdings Limited ("Metro" or the "Group") ("美罗控股有限公司"), a property development and investment group backed by established retail operations in the region, registered a net profit of S$16.4 million for the three months ended 30 September 2016 ("2QFY2017"), as compared to S$18.6 million in the previous corresponding period ("2QFY2016").

During the quarter, revenue decreased 26.1% to S$28.3 million, from S$38.3 million over the same period. The dip was mainly due to the closures of Metro Sengkang and Metro City Square in the second and third quarter of FY2016 respectively. This led the Retail Division to register a S$9.3 million decrease in revenue to S$26.7 million in 2QFY2017. Stable sales, operating and overhead costs of continuing department stores mitigated the impact of the lack of contribution from the closed department stores. In addition, for Indonesia, overall profitability improved marginally. Correspondingly, losses for the Retail Division dropped significantly by 55.1% to S$0.7 million in 2QFY2017 from S$1.7 million in 2QFY2016.

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The Group's Property Division recorded a decrease in revenue to S$1.6 million in 2QFY2017 from S$2.3 million in 2QFY2016, largely due to the lower rental contribution following the disposal of Frontier Koishikawa, Tokyo, in August 2015. Revenue was also affected by an 8.1% depreciation of the Renminbi during the period. As at 30 September 2016, the average occupancy rate of the Group's three investment properties in the PRC remained high at 91.2%. Excluding fair value loss on short term investments, associates and joint ventures, the Property Division achieved a gain of S$7.2 million in 2QFY2017, in comparison to S$16.4 million in 2QFY2016, mainly due to the absence of unrealised exchange gains on bank balances of $6.7 million and a S$4.3 million gain on the disposal of Frontier Koishikawa.

Metro's Chairman, Lt Gen (Rtd) Winston Choo (朱维良) said, "With the proceeds from recent divestments, we will continue to prudently deploy capital to accretive investments in both China, our core market, as well as new geographical markets such as the UK, working alongside experienced and reputable partners. The Nanchang Fashion Mark joint mixed-use development project with Topspring is progressing well, with about two thirds of the next phase, comprising mainly of commercial component, presold.

"In UK, the development of the Acero Works Grade A office building in the Sheffield Digital Campus, Sheffield together with Scarborough, our UK strategic partner, is likewise progressing well, with completion expected in the third quarter of 2017. Additionally, work has commenced on the 571 freehold residential apartments to be built under Phase 1 of the Middlewood Locks development in Manchester."

Review of Performance

Overall, the Group's profit before tax ("PBT") declined 9.6% to S$17.3 million in 2QFY2017, from S$19.1 million in 2QFY2016. This was largely due to the recognition of a one-off gain of S$4.3 million on disposal over the carrying value of Frontier Koishikawa and exchange differences on bank balances of S$6.7 million in the previous quarter of 2QFY2016.

These were offset partially by a recovery of the Group's portfolio of short term equity investments in REITs, resulting in a smaller unrealised fair value loss of S$0.8 million in 2QFY2017 from S$5.4 million in 2QFY2016.

In addition, share of results of associates increased to S$8.5 million in 2QFY2017 from S$5.5 million in 2QFY2016 mainly due to improved contributions from Top Spring, though partially offset by lower fair value gains on investment properties held by Shanghai Shama Century Park.

In line with the lower profit before tax recorded, the Group's bottomline was correspondingly impacted, declining 11.8% to S$16.4 million whilst earnings per share slid slightly from 2.2 Singapore cents in the previous corresponding period to 2.0 Singapore cents in the latest period.

Strong Balance Sheet

Metro's balance sheet remained strong with net cash of S$443.4 million (after bank borrowings), signifying good headroom for growth; and shareholders' equity of approximately S$1.3 billion as at 30 September 2016.

Outlook

Metro expects its Property Division in the PRC to receive stable rental income from the GIE Tower investment property in Guangzhou. At the same time, enhancement work continues on the last level of Metro City, Shanghai. About two thirds of the next phase of office and skirt retail space at the Group's Nanchang project have been presold. Future contributions in the next few months from these space will have lower gross margins than those achieved for the project's residential properties.

Market sentiment of the residential property sector in Singapore remains cautious amidst a slower outlook for the Singapore economy. Sales at The Crest at Prince Charles Crescent, the Group's residential project, hence continue to be weak.

Lt Gen (Rtd) Winston Choo continued, “Our key long-term property development and investment strategy remains firmly focused on broadening our geographical reach and investing in projects with a strategic fit, from commercial to residential to mixed-use developments. We continue to carefully evaluate a pipeline of projects across different geographies and will seek out opportunities offering the potential to build-up future income streams and derive value for shareholders.”

The Group’s Retail Division will continue to be challenged by the competitive trading environment, a slower domestic economy and higher operating costs. While topline revenue will be affected by the closure of two Metro stores in FY2016, the effect of Centrepoint’s makeover on Metro Centrepoint’s sales activities has ceased with its completion in Q3FY2017, which coincides with year-end festivities and promotions.

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 operations and investments in the region.

Today, the Group operates two core business divisions – property development and investment, and retail – and is focused on key markets in the region such as China, Indonesia and Singapore.

Property Development and Investment

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. It has expanded its portfolio to cover a fuller spectrum of properties and also holds significant investments in certain property businesses. This includes mixed-use and residential developments in China, Singapore and the United Kingdom.

Retail

Metro's retail arm serves customers through a chain of three Metro department stores in Singapore, and another nine department stores in Indonesia. The Metro shopping brand is an established household name in the retail industry, and offers a wide range of quality merchandise about 1.4 million square feet of downtown and suburban retail space in Singapore and Indonesia.

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