NEWS RELEASE

METRO HOLDINGS REGISTERS REVENUE OF S$131.2 MILLION AND NET PROFIT OF S$81.0 MILLION FOR FY2017

- ***Net profit takes impact primarily from:***
  - ***S$33.1 million decline in share of results of associates following lower recognition of property sales relating to Nanchang and Top Spring; and***
  - ***S$45.9 million decrease in share of joint ventures' results as the prior FY2016 included a one-off gain from the disposal of EC Mall, of S$41.7 million;***
- ***Balance sheet remains healthy, with shareholders' equity of approximately S$1.35 billion as at 31 March 2017;***
- ***Net cash declines to S$323.5 million as Group deployed cash to accretive investments; will continue to capitalise on new investment opportunities;***
- ***Declares final dividend of 2.0 Singapore cents and final special dividend of 3.0 Singapore cents per ordinary share.***

Singapore, 30 May 2017 – 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, recorded a net profit of S$81.0 million for the full year ended 31 March 2017 ("FY2017"). In comparison, Metro registered a net profit of S$113.3 million in the previous corresponding period ("FY2016").

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Metro's core Property Division registered a decrease in profit before tax ("PBT") to S$82.5 million in FY2017 from S$122.3 million in FY2016. Overall, segment results for the Property Division turned around to register a profit of S$20.0 million in FY2017 from a loss of S$1.6 million in FY2016, mainly due to foreign exchange gains. However, with a significant proportion of handover of residential properties in the prior year and hence a significantly lower sales recognition from the Nanchang project, the Group saw a S$32.0 million dip in its share of Nanchang's results in FY2017. Additionally, PBT was impacted by an absence of a one-off gain of S$38.1 million (net of expenses) from the disposal of the Group's 50% interest in the joint venture which owned the EC Mall, Beijing in FY2016.

Metro's Chairman, Lt Gen (Rtd) Winston Choo (朱维良) said, "Over the last 12 months, the management team has deployed cash to accretive investments and we are pleased to see good progress of our investments. In the UK, Milliners Wharf The Hat Box has sold all 144 units with contribution of S$1.8 million. In addition, out of about 2,200 of residential units planned for the Middlewood Locks development in Manchester, work is in full swing for the 571 freehold residential apartments to be built under Phase 1 and we have started to market these units. The Grade A office building, Acero Works at Sheffield, is expected to be completed in 3Q 2017.

"We will continue to extend our successful partnerships and deploy capital in areas where we have deep familiarity. Meanwhile, we have injected US$28 million for a co-investment with InfraRed NF China Real Estate Fund II (A), L.P. ("Fund II"). This commitment is in addition to our total commitment to invest US$57 million in Fund II. We would require further capital injections as we continue to explore opportunities in our core China market, the region and beyond in the UK."

Review of Performance

Property Division

On the Property Division front, revenue was mainly affected by the absence of rental contribution from the disposal of Frontier Koishikawa, Japan, in 2QFY2016 and a weakening of the Renminbi during the year. This led revenue to decrease by S$2.0 million to S$6.5 million in FY2017. Segment results excluding associates and joint ventures however improved to a profit of S$20.0 million in FY2017 from a loss of S$1.6 million in FY2016. This was mainly due to foreign exchange gains of S$5.7 million in FY2017 as compared to unrealised exchange losses on bank balances of S$8.3 million in FY2016. Overall, occupancy rate for Metro's three investment properties in Guangzhou and Shanghai as at 31 March 2017 was 91.5%.

Share of results of associates decreased to S$42.5 million in FY2017 from S$75.7 million in FY2016. This was mainly due to lower contribution from the Nanchang project, which declined to S$12.1 million, from S$44.1 million in FY2016, as revenue recognised on properties completed slid by 66% over FY2016. The impact from significantly lower revenue recognition from Top Spring due to the timing of completion and handover of properties was offset by a write back of tax provisions on finalisation with tax authorities. In addition, there was a decline in gains from fair value adjustments on Shama Century Park, Shanghai's investment properties.

Share of joint venture results declined to S$22.3 million from S$68.2 million in FY2016, as the results in the prior financial year included a one-off gain of S$41.7 million from the disposal of the Group's 50% interest in the joint venture which owned the EC Mall, Beijing.

The decline in earnings was partially offset by a significant 48.3% drop in general and administrative expenses to S$22.2 million in FY2017 largely due to the absence of unrealised exchange loss and overhead costs relating to the disposal of EC Mall. An impairment assessment deficit on carrying amount of shareholder loan due from a joint venture of S$9.5 million, recorded in FY2016, was not repeated in FY2017. Unrealised fair value deficit as a result of changes in fair value of short term investments was also lower in FY2017 at S$0.8 million, as compared to an unrealised deficit of S$6.6 million in FY2016. Other income rose 13.1% to S$31.2 million in FY2017 as compared to S$27.6 million in FY2016.

Retail Division

Metro's retail topline declined 14.6% to S$124.7 million in FY2017 largely due to the absence of the revenue contribution from Metro Sengkang and Metro City Square with their closures in 2QFY2016 and 3QFY2016 respectively. In line with pressures on margins, operating and overhead costs, this affected profitability, resulting in a continued loss of S$2.0 million in FY2017, narrowed from S$2.4 million in FY2016. However, together with stronger performance from Metro's Indonesian associate, profit contribution from the retail division rose to S$1.3 million.

Correspondingly, in line with Metro's lower revenue and profit before tax, its bottomline was similarly impacted, leading to a 28.5% decline to S$81.0 million in FY2017, while earnings per share dropped to 9.7 Singapore cents, from 13.7 Singapore cents in the previous year.

Strong Balance Sheet

The Group continued to possess a healthy balance sheet, with net cash of S$323.5 million (after bank borrowings) as at 31 March 2017 as compared to S$493.6 million as at 31 March 2016 as the Group deployed cash to accretive investments. Shareholders' equity stood at approximately S$1.35 billion as at 31 March 2017. These provide Metro with ample capacity to pursue growth opportunities.

Proposed Dividend

To reward loyal shareholders, the Board has recommended dividends totaling 5.0 Singapore cents comprising an ordinary final dividend of 2.0 Singapore cents and a special dividend of 3.0 Singapore cents respectively per share. This translates to a total payout ratio of 51.3% of the Group's net profit attributable to shareholders for FY2017.

Outlook

For Property Division, Metro expects to continue receiving stable rental income streams from its GIE Tower investment property in Guangzhou, China, as well as from the Metro City and Metro Tower properties in Shanghai, China, held at the joint ventures' level. With the completion of asset enhancement work, Metro City Shanghai's rental has correspondingly improved.

As for the Nanchang project, future contributions will be primarily from the recognition of presales of office and retail space, of which the office space's gross margins will be significantly lower than what was achieved for the project's residential properties in the past. This comes after about two-thirds of the property inventory, including most of its residential segment, being completed and handed over.

Given the weak market sentiment of Singapore's residential property sector, sales of the Group's residential project – The Crest at Prince Charles Crescent – is expected to be sluggish.

Lt Gen (Rtd) Winston Choo added, "Metro has always taken a long-term approach towards property development and investment. Our key strategy continues to be in the broadening and diversification of our property portfolio and geographical reach. This goes beyond the core commercial development interests and includes residential and mixed-use developments in our core China market and other familiar regions.

“Going forward, Metro will continue to leverage on strategic partnerships, existing and new, to co-invest with experienced partners and recycle the capital from sale proceeds to build our profitability.”

The Retail Division is expected to continue being beset by challenges including a competitive trading environment, slower domestic economy and high operating costs.

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 segments – property development and investment, and retail – and is focused on key markets in the region such as China, Indonesia and Singapore. The Group has also expanded its geographical presence to the United Kingdom.

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 in about 1.4 million square feet of downtown and suburban retail space in Singapore and Indonesia.

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