METRO HOLDINGS LIMITED

(Company Registration No. 197301792W*)*

RESPONSE TO QUARZ CAPITAL MANAGEMENT, LTD.'S OPEN LETTER

The Board of Directors of Metro Holdings Limited ("Metro" or the "Company") refers to the open letter dated October 4, 2016 from Quarz Capital Management, Ltd. ("Quarz") to Metro.

Metro welcomes Quarz as a shareholder and as with all shareholders, many of whom have been with the Group for a considerable number of years, Quarz is welcome to attend Metro's Annual General Meetings ("AGMs"). In addition, Metro also organises results briefings to provide a platform for analysts, fund managers and the media to engage effectively with the management team. The AGMs and results briefings have provided platforms where many of the issues raised in the open letter have been raised and considered.

Call for net cash balance to be distributed as extraordinary cash dividend

The Company's current net cash position is a recent occurrence due to the recent divestment of properties over the last one to two financial years[1].

Over the last 12 months, management has deployed capital to accretive investments, such as the investment in Sheffield Digital Campus in Sheffield, the UK; and the InfraRed NF China Real Estate Fund II (A), L.P.. Both of these investments, as well as Middlewood Locks in Manchester, the UK, require further capital which Metro has committed to provide.

As we have sought to communicate at our AGMs and results briefings, the Property Division, which is the largest of Metro's business units, is capital intensive. As an illustration of the large capital investments required, Metro's net cash position[2] was S$429.8 million as at 30 June 2012, when it proportionally consolidated its joint ventures results. By 31 December 2013, the net cash position had fallen to S$35.6 million as at 31 December 2013 as capital was re-deployed into a few projects. Some of these projects have since been divested and realised.

Since then, Metro's net cash position has risen to S$479.0 million[3] as at 30 June 2016, attributable to the inflow of proceeds from projects, such as EC Mall, Beijing which was divested after attaining maturity with full occupancy and stable rental income.

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[1] *Metro's financial year end is 31 March*

[2] *Net cash is defined as the sum of 'cash and cash equivalents' and 'pledged fixed and bank deposits' less current and non-current bank borrowings*

[3] *Excludes JVs' net cash (negative due to project level bank borrowings) as JVs are equity accounted for, starting from FY2015 upon adoption of new accounting standards. Prior to FY2015, JVs' results were proportionally consolidated into Metro's accounts.*

There are available opportunities to reinvest capital and Metro continues to carefully evaluate a pipeline of projects, taking into consideration property cycles across different geographies, as it has done in the past. Metro expects its net cash levels to decline, as it capitalises on property development and investment opportunities, as and when they materalise. Insufficient cash for potential capital deployment into these opportunities would affect Metro's ability to build future income streams through recycling the cash.

Dividend policy

Metro does not have a fixed dividend policy as it would reduce the Company's flexibility to deploy capital in an effective and opportunistic manner to derive value for shareholders.

Nevertheless, Metro has a good track record of consistently paying dividends to shareholders and strives to manage its capital prudently while having a sustainable dividend payout. Over the past five financial years, Metro has paid out dividends, including ordinary and special dividends, which totalled S$0.29 per share (or approximately S$240.1 million in total) and represents approximately 31.7% of Metro's share price as at 3 October 2016. The overall dividend payout ratio has largely been around the 50% mark for four out of the past five financial years.

In FY2016, the S$0.02 per share in ordinary final dividend and S$0.05 per share in special dividend represented a collective dividend yield of 7.4%[4].

Property Division's corporate strategy

Metro has a long-term approach towards property development and investment which has relatively long development cycles over a number of years. Its key strategy continues to be in the broadening of its property portfolio and geographical reach. This goes beyond the core commercial development interests and includes residential and mixed-use developments in countries such as China and the UK. 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 its profitability.

By Order of the Board

Tan Ching Chek and Lee Chin Yin
Joint Company Secretaries
11 October 2016

[4] *Share price of S$0.95 as at 31 March 2016*