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Acquisitions and Disposals :: Non-Mandatory Disclosure, Changes in Company's Interest :: Acquisition of a 30% equity interest in Associated Company in the ordinary course of business

* Asterisks denote mandatory information

Name of Announcer *	METRO HOLDINGS LIMITED
Company Registration No.	197301792W
Announcement submitted on behalf of	METRO HOLDINGS LIMITED
Announcement is submitted with respect to *	METRO HOLDINGS LIMITED
Announcement is submitted by *	Tan Ching Chek
Designation *	Company Secretary
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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Acquisition of a 30% equity interest in Associated Company in the ordinary course of business
Description	Please refer to attached announcement

Attachments

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METRO HOLDINGS LIMITED

(Company Registration No. 197301792W)

ACQUISITION OF A 30% EQUITY INTEREST IN AN ASSOCIATED COMPANY FOR THE PURPOSE OF ACQUIRING AN EFFECTIVE INTEREST IN 284 RESIDENTIAL UNITS IN SHANGHAI, THE PRC, IN THE ORDINARY COURSE OF BUSINESS

1. INTRODUCTION

The Board of Directors of Metro Holdings Limited ("Metro" or the "Company") wishes to announce that Firewave Management Limited ("Firewave"), a wholly-owned subsidiary of Crown Investments Ltd, in turn a wholly-owned subsidiary of Metro China Holdings Pte Ltd, has entered into a Share Purchase Agreement (the "SPA") to acquire a 30% equity interest in Shine Rise International Limited ("Shine Rise") (the "Investment"). Shine Rise wholly-owns SSCP Limited ("SSCP") which has a 100% held subsidiary, MSREF Century Palace (Residential) Limited ("MSREF") (an indirect wholly-owned subsidiary of Top Spring International Holdings Limited ("TSI") and is not a member of the Morgan Stanley group of companies or any fund they manage) which owns 284 residential units and 240 underground car park units in Shanghai, the PRC (the "Property"). Shine Rise is an indirect wholly-owned subsidiary of TSI, a company listed on the main board of The Stock Exchange of Hong Kong Limited, in which the Company has a 6.11% indirect equity interest as at the date of this announcement. Metro China Holdings Pte Ltd is a wholly-owned subsidiary of the Company.

2. INFORMATION RELATING TO THE INVESTMENT AND THE PROPERTY

2.1 INFORMATION ON THE INVESTMENT

The SPA provides for Firewave to acquire 30% of the issued share capital of Shine Rise at approximately Rmb 6.5 million (approximately S\$ 1.3 million) and to acquire the related 30% of shareholder's loan amounting to Rmb 237 million (approximately S\$ 48.2 million). The total consideration is approximately Rmb 243.5 million (approximately S\$ 49.5 million) and is subject to adjustment of working capital.

As Firewave is a connected person of TSI under the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") by virtue of the Company's 30% indirect interest in 南昌萊蒙置業有限公司 (Nanchang Top Spring Property Development Company Limited), a subsidiary of TSI, the SPA and the transaction contemplated therein constitutes a connected transaction for TSI. In addition, since one of the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction is more than 5% but less than 25%, the transaction also constitutes a discloseable transaction for TSI. The transaction is subject to the reporting, announcement and approval of TSI's independent shareholders at an extraordinary general meeting to be convened under the Listing Rules.

2.2 INFORMATION ON TSI

TSI is a real estate property developer in the PRC and is principally engaged in the development and operation of urban mixed-use communities, and the development and sale of residential properties in the Pearl River Delta, the Yangtze River Delta, the Beijing-Tianjin and the Chengdu-Chongqing regions in the PRC.

2.3 INFORMATION ON THE PROPERTY

Shine Rise acquired the entire issued share capital of SSCP in September 2013 for Rmb 1,688,000,000 (approximately S\$ 343.0 million) subject to certain adjustments. SSCP legally and beneficially owns the entire issued share capital of MSREF which is the legal and beneficial owner of the Property.

The Property is operated as serviced apartments and was completed in 2006 for residential and car park uses. It is located at No. 99 Dongxiu Road, Pudong New District, Shanghai, the PRC, and comprises:

- (a) a total of 284 residential units across nine buildings with a total gross floor area of approximately 49,357 sq.m.; and
- (b) 240 underground car park units.

The market value of the Property as at 31 August 2013 was Rmb 2,400,000,000 (approximately S\$ 487.7 million). Turnover from the leasing of the serviced apartments and car park units for the two financial years ended 31 December 2011 and 2012 amounted to approximately US\$ 12.3 million (approximately S\$ 15.2 million) and approximately US\$ 14.0 million (approximately S\$ 17.3 million).

The unaudited consolidated financial information of the SSCP and MSREF is set out below, which was prepared in accordance with Hong Kong Financial Reporting Standards:

	Year ended		Six months ended	
	31 December		30 June	
	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Turnover	12,310	13,963	6,801	6,828
Direct costs	<u>(2,604)</u>	<u>(2,871)</u>	<u>(1,403)</u>	<u>(1,466)</u>
Gross profit	9,706	11,092	5,398	5,362
Valuation gains on investment properties	8,975	56,420	25,040	33,542
Other revenue	82	89	45	24
Other net income/(loss)	5,817	348	(445)	2,035
Administrative expenses	<u>(2,624)</u>	<u>(6,597)</u>	<u>(1,309)</u>	<u>(1,327)</u>
Profit from operations	21,956	61,352	28,729	39,636
Finance costs	<u>(5,685)</u>	<u>(4,971)</u>	<u>(2,475)</u>	<u>(2,449)</u>
Profit before taxation	16,271	56,381	26,254	37,187
Income tax	<u>(2,251)</u>	<u>(7,164)</u>	<u>(3,244)</u>	<u>(4,096)</u>
Profit for the year/period	14,020	49,217	23,010	33,091
	=====	=====	=====	=====

Shine Rise entered into a US\$150,000,000 (approximately S\$ 185.8 million) loan agreement dated 11 September 2013 between Shine Rise, as borrower, and a licensed bank in Hong Kong, in respect of certain loan facilities made available to Shine Rise for the purpose of, among other things, financing the payment of a portion of the consideration for the former acquisition of SSCP by Shine Rise and the transactions contemplated under it.

3. RATIONALE FOR THE PROPOSED INVESTMENT

The Investment is in Metro's ordinary course of property development business in China and is in line with the Company's stated intention to build Metro and its group of companies' ("Metro Group's") presence and investment in the region through a selective positioning, new investments in property development and strategic alliances with a view to broadening the revenue stream of the Metro Group and facilitating sustained profitability for the Metro Group moving forward. In particular, the Investment will enable the Metro Group to expand its property interests in the PRC which is a market that the Metro Group is currently in and has made significant investments.

4. CONSIDERATION

The Metro Group's total commitment for the Investment is approximately Rmb 243.5 million (approximately S\$ 49.5 million), subject to certain adjustments, and was arrived at based on arm's length negotiations and by reference to the valuation of the Property.

The Metro Group's commitment and expenses relating to the transaction will be funded primarily from internal cash sources.

5. NTA/FINANCIAL EFFECTS

Based on the unaudited proforma consolidated NTA of Shine Rise and its subsidiaries as at 30 September 2013, the equivalent of a 30% interest would be approximate Rmb 19.1 million (approximately S\$ 3.9 million). The unaudited proforma consolidated NTA was prepared based on a valuation of the Property as at 31 August 2013 of Rmb 2.4 billion by DTZ Debenham Tie Leung Limited, where the valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion". The valuation was commissioned by TSI/Shine Rise.

The above Investment is, subject to any significant fair value adjustments on the Property, not expected to have any significant effect on the consolidated net tangible asset per share and the consolidated earnings per share of the Metro Group for the current financial year ending 31 March 2014.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above matter other than through their shareholding interests in the Company.

7. COMPLIANCE WITH RULE 704 (17)(C) OF THE LISTING MANUAL

As the acquisition of Shine Rise and the completion of the Investment will result in Shine Rise and its subsidiaries, being associated companies of the Metro Group, this announcement is made pursuant to and for the purposes of compliance to Rule 704 (17) (c) of the Listing Manual.

By Order Of The Board

Tan Ching Chek and Lee Chin Yin
Joint Company Secretaries
31 October 2013