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Acquisitions and Disposals :: Changes in Company's Interest :: Acquisition of additional 13.66% equity stake in Top Spring International Holdings Ltd

* 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 additional 13.66% equity stake in Top Spring International Holdings Ltd
Description	Please refer to the attachment.

Attachments

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METRO HOLDINGS LIMITED

(Company Registration No. 197301792W)

ACQUISITION OF ADDITIONAL 13.66% EQUITY STAKE IN TOP SPRING INTERNATIONAL HOLDINGS LTD IN THE ORDINARY COURSE OF BUSINESS

1. INTRODUCTION

The Board of Directors of Metro Holdings Limited (“**Metro**” or the “**Company**”) wishes to announce that Crown Investments Ltd (“**Crown Investments**”), an indirect wholly-owned subsidiary of the Company, has agreed to acquire from certain existing minority shareholders of Top Spring International Holdings Ltd (“**Top Spring**” or “**TSI**”), their entire combined holdings of approximately 13.66% in the issued ordinary share capital of Top Spring, for an aggregate consideration of HK\$528,733,214 (approximately S\$85.7 million) (the “**Investment**”).

Top Spring is a company listed on The Stock Exchange of Hong Kong Limited.

2. INFORMATION RELATING TO THE INVESTMENT

2.1 Information on the Investment

The vendors in relation to the Investment collectively hold and/or beneficially own 157,830,810 ordinary shares of HK\$0.10 each fully paid in Top Spring. All of the vendors are unrelated third parties in relation to the Company, its Directors and controlling shareholders.

Based on latest publicly available information as at 5 December 2013, Top Spring has an issued share capital comprising 1,155,303,100 ordinary shares of par value HK\$0.10 each fully paid (none of which were treasury shares) and 250,920,800 perpetual subordinated convertible securities (“**PCS**”) which are potentially convertible into an equivalent number of new shares. Although the PCS are unlisted and carry no voting rights, they confer substantially the same economic interest attached to the shares (such as rights to receive payments representing any dividends declared and paid).

As at the date of this Announcement, the Company, mainly through Crown Investments¹, already holds approximately 6.11% of the ordinary issued shares in the capital of Top Spring, which, taking into account the outstanding PCS, translates into approximately 5.02% of economic interest in Top Spring. Similarly, the Investment of 13.66% of the TSI shares translates into approximately 11.22% economic interest in Top Spring. The Company does not hold or have an interest in any PCS.

The Investment, when completed, would bring the Company’s effective equity stake in Top Spring to approximately 19.77%.

2.2 Information on Top Spring

Top Spring together with its subsidiaries (“**TSI Group**”) is a real estate developer in the People’s Republic of China (“**PRC**” or “**China**”) specialising in the development and operation of urban mixed-use communities, and the development and sale of

¹ Metro’s current investment of 6.11% of the TSI shares is held through Crown Investments (6.071%) and another direct wholly-owned subsidiary (0.036%).

residential properties in the Pearl River Delta, the Yangtze River Delta, the Central China, the Beijing-Tianjin and the Chengdu-Chongqing regions in the PRC.

Based on Top Spring's published interim report for the half year ended 30 June 2013, it had as at 30 June 2013, a total of 16 projects over 9 cities in various stages of development, including a sizable portfolio of completed property developments for sale/lease, properties under development, properties held for future development and properties contracted to be acquired. Subsequent to 30 June 2013, Top Spring has continued to add to its land bank (acquired residential land in Nanjing, the Pudong New District property referred to in paragraph 2.3 below, and entered into a conditional agreement in respect of redevelopment of land in Shenzhen).²

2.3 Collaborations by the Company with Top Spring

The Company and Top Spring are collaborating in the development for sale and investment of an upscale urban mixed-used project, *Nanchang Fashion Mark* (in which the Company has an effective 30% interest and Top Spring an effective 70% interest).³ On 31 October 2013, the Company announced its proposed acquisition⁴ of a 30% effective interest in a completed residential development property currently operated as serviced apartments in Pudong New District, Shanghai, which was acquired by an indirect subsidiary of Top Spring in September 2013.

3. **CONSIDERATION**

The aggregate consideration of HK\$528,733,214 for the Investment or HK\$3.35 for each TSI share to be acquired, was arrived at on arm's length negotiations, taking into account (among others) the prevailing market price of the TSI shares and a price premium for a significant single shareholding block.

As at 5 December 2013, the closing market price of a TSI share transacted on The Stock Exchange of Hong Kong Limited was HK\$3.07.

The aggregate consideration for the Investment, which is to be wholly satisfied in cash, will be funded by internal resources and is payable in full upon transacting the share sale and purchase which is scheduled to be effected on or about 10 December 2013 by way of a cross trade during the trading hours of The Stock Exchange of Hong Kong Limited. The TSI shares which are the subject of the Investment shall be sold by the vendors to Crown Investments free from any encumbrance and together with all rights attaching or accruing to them on and after the transacting date.

4. **RATIONALE FOR THE INVESTMENT**

The Investment is in the ordinary course of the property investment and development business of the Company and its subsidiaries (collectively, "**Group**" or "**Metro Group**") and is in line with the Company's stated intention to build the Metro Group's presence and investment in the region through selective positioning, new investments in property development and strategic alliances with a view to

² Top Spring's Interim Report 2013 (at pages 12 to 16) and its announcement dated 18 November 2013. Available on its website: <http://www.topspring.com>.

³ Metro's announcement dated 1 October 2012, and "Successful Partnerships, New Opportunities" and "Portfolio Review - Nanchang Fashion Mark" at pages 9 and 30 of Metro's Annual Report 2013.

⁴ The property comprises 284 residential units across nine buildings and 240 underground car park units. Completion of Metro's acquisition of a 30% effective interest is pending as at the date of this Announcement.

broadening Metro's revenue stream and facilitating sustained profitability moving forward.

In particular, the Investment brings the following immediate and potential future benefits:

(a) Growing the Group's property interests

The Investment presents the Company with an opportunity to further expand and extend its property interests in China, a market that the Metro Group is currently in and has made significant investments, through a direct strategic stake in Top Spring, in addition to partnering with Top Spring and other property developers in China on a project-by-project basis.

(b) Potential to further the Group's property interests via Top Spring

After completion of the Investment, and depending on market conditions, the Company proposes to increase its equity stake in Top Spring from 19.77% to at least 20%, and/or to seek a board seat on Top Spring, with the intention that Top Spring will become an associated company ("**Further Step**") so as to allow the Metro Group to equity account for the results of the TSI Group as an associate⁵ and reflect the Metro Group's share of the associate's profit or loss which is more reflective of the attributable results of the associate rather than the distributions received from it. Such a move would also serve to strengthen the Metro Group's network in the PRC and provide yet another platform for expansion of its foothold in the China property market through working with an experienced local developer.

However, the Company is not able as at the date of this Announcement to determine when, and whether, the Company is able to accomplish the Further Step. Nonetheless, the Company will make the necessary announcement to update shareholders as and when the Further Step is made or established. Shareholders' attention is drawn to paragraph 10 below.

5. FINANCIAL EFFECTS

Upon completion of the Investment, the additional 13.66% equity stake in TSI (as with the present 6.11% equity stake in TSI) will be accounted for by Crown Investments as available-for-sale investments.

Purely for illustrative purposes only, the financial effects of the Investment on the Metro Group's net tangible assets ("**NTA**") and earnings per share ("**EPS**"), based on the audited consolidated financial statements of the Company for the financial year ("**FY**") ended 31 March 2013, are set out below.

- (a) NTA: Assuming that the Investment had been completed on 31 March 2013, being the end of the most recently completed FY, the effect on the NTA per share of the Group would be as follows:

⁵ In accordance with Singapore Financial Reporting Standard 28 (FRS 28 - Investments in Associates).

	Before Investment	After Investment
NTA (S\$ million)	1,144.92	1,162.60
NTA per ordinary share (cents)	138.3	140.4

Note:

The "After Investment" NTA is computed on the basis that the TSI ordinary shares comprising the Investment rank *pari passu* with the other existing TSI ordinary shares, and the Investment had been marked to the market price of HK\$4.05 (adjusted for Ex-bonus) per ordinary share of TSI as at 31 March 2013.

- (b) EPS: Assuming that the Investment had been completed on 1 April 2012, being the beginning of the most recently completed FY, the effect on the EPS of the Group would be as follows:

	Before Investment	After Investment
Profit / (loss) attributable to shareholders (S\$ million)	64.81	70.23
Weighted average no. of shares (millions)	828.04	828.04
EPS (S\$) - Basic	7.8	8.5
EPS (S\$) - Diluted	7.8	8.5

Note:

Metro Group's investment in TSI's ordinary shares is accounted for as available-for-sale investments and it receives dividend income on the investment. At the balance sheet date, the carrying value of the investment is fair valued and any mark-to-market surplus or deficit is taken to the fair value reserve. The "After Investment" EPS is computed to include the dividend attributable to an 11.22% economic interest.

At 31 March 2013, the Company was in a net cash position of S\$149.74 million. Assuming that the Investment had been completed on 31 March 2013, being the most recently completed FY, there would not have been any financial effect on the Company's gearing as the Investment will be funded by internal resources.

The Company has not included financial effects computation for the Further Step as it would be premature.

6. RELATIVE FIGURES

For illustrative purposes only, the relative figures of the Investment computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

Rule 1006	Bases	Relative Figure
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable ⁽¹⁾
(b)	Net profits attributable to the assets to be acquired, compared with the Group's net profits	23.55% ⁽²⁾
(c)	Aggregate value of the purchase consideration to be given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	12.48% ⁽³⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾

Notes:

- (1) Not applicable as the Investment is an acquisition.
- (2) Computed based on the unaudited net profits attributable to an 11.22% economic interest in TSI (conferred by the Investment of 13.66% of the TSI shares) of approximately S\$9.05 million for the six months ended 30 June 2013 (being the latest publicly available consolidated financial statements of TSI), as compared to the unaudited consolidated net profits of the Group of approximately S\$38.42 million for the six months ended 30 September 2013.
- If computed based on the dividend income from an 11.22% economic interest in TSI (conferred by the Investment of 13.66% of the TSI shares) of approximately S\$2.83 million for the six months ended 30 June 2013 (being interim dividend at the rate of HK\$0.11 per share declared by TSI for the financial year ending 31 December 2013), as compared to the unaudited consolidated net profits of the Group of approximately S\$38.42 million for the six months ended 30 September 2013, the relative figure would be 7.36%.
- (3) Computed based on the consideration of approximately S\$85.7 million, divided by the market capitalisation of the Company of approximately S\$687.3 million (excluding treasury shares) as at 5 December 2013.
- (4) Not applicable as no equity securities are proposed to be issued by the Company as consideration for the Investment.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Investment (save through their shareholding interests, if any, in the Company).

8. RULE 704(17)(B) OF THE LISTING MANUAL

The acquisition of the 13.66% equity stake in TSI will result in an increase in the Group's aggregate cost of investment in quoted securities to 17.95% of its latest audited consolidated NTA. Details relating to the Group's cost of investment in and value of these quoted investments are as follows:

	S\$'million	% of NTA
Aggregate cost of quoted investments before acquisition	120.5	10.49

Aggregate cost of quoted investments after acquisition	206.2	17.95
Market value of quoted investments before acquisition	106.0	9.22
Market value of quoted investments after acquisition	184.3	16.05
Amount of provision for diminution in value of investments	23.5	2.04

Note:

The market value of quoted investments was computed based on the closing market prices as at 5 December 2013.

9. DOCUMENT FOR INSPECTION

A copy of the share sale and purchase agreement dated 6 December 2013 in relation to the Investment is available for inspection at the registered office of the Company for a period of three months from the date of this Announcement.

10. TRADING CAUTION

Shareholders should read this Announcement and any further announcement by the Company carefully. Shareholders and potential investors should exercise caution when trading in the Company's shares, and where in doubt as to the action they should take, they should consult their stock broker or other professional adviser immediately.

By order of the Board

Tan Ching Chek and Lee Chin Yin
Joint Company Secretaries

6 December 2013