


Asset Acquisitions and Disposals::Metro Group Acquires London Office Property In United Kingdom

Issuer & Securities

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Announcement Details

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METRO HOLDINGS LIMITED

(Company Registration No. 197301792W)

METRO GROUP ACQUIRES LONDON OFFICE PROPERTY IN UNITED KINGDOM

1. INTRODUCTION

The Board of Directors of Metro Holdings Limited ("Metro" or the "Company") wishes to announce that it has entered into a 50:50 joint venture with the Lee Kim Tah Group, Singapore, to jointly acquire a freehold office property in London, United Kingdom ("UK"). Both parties have incorporated a jointly-owned company, Lee Kim Tah - Metro Jersey Limited ("LKTMJ"), in Jersey. LKTMJ has entered into a Sale and Purchase Agreement (the "SPA") with Lavariano Asset Holdings Limited and Lime Leaf Asset Holdings Limited (the "Vendor") to acquire a freehold office property at 5 Chancery Lane, London (the "Property") for a total purchase consideration of £80.75 million (approximately S\$148.2 million) (comprising the purchase consideration of the Property of £76.0 million and the related stamp duty and estimated fees and expenses of £4.75 million) (the "Investment").

The Investment is in the ordinary course of the Metro Group's property investment business.

2. INFORMATION RELATING TO THE PROPERTY

The Property is a freehold office building with 84,836 square feet of office and ancillary facilities arranged over basement, lower ground, ground and five upper floors.

It is located in a central and traditional office location in the heart of Midtown Central London and in close proximity to a few underground stations namely Chancery Lane station, Temple station and the new Farringdon station hub of the upcoming Crossrail. It is also strategically situated in the heart of the traditional legal area that is within a short walking distance of various key legal institutions such as the Law Society Building and the Royal Courts of Justice. Recently, the area has benefitted from a significant change in occupational demand with a diverse tenant demand from the technology, media, and telecom, besides the traditional legal, accounting and professional services sectors.

The Property is currently fully leased until 2023, producing a current annual rental income of approximately £4.0 million per annum reflecting a low average rent of £47.15 per square foot, and hence offers opportunity for positive rental reversion. The current annual rent reflects an initial gross yield of 4.95%.

3. RATIONALE FOR THE PROPOSED INVESTMENT

The Investment represents an excellent proposition to acquire a freehold property in one of London's leading occupational sub-markets with the future ability to enhance returns via multiple active management strategies be it through either an refurbishment or re-development plan and hence the opportunity for lease re-structuring. The current lease with the annual rental income will generate annual cashflow till 2023 and this will provide a stream of recurring rental income for the Metro Group.

Despite the uncertainties of Brexit, London still remains attractive as one of the world's leading global financial hub and business centers underpinned by key attributes such as robust business fundamentals and transparency, vibrancy and diverse demographics, and strategic national and international communications and infrastructure networks.

The Investment is in the ordinary course of the property investment and development business of the Metro Group and is in line with the Company's stated intention to continue to broaden the Metro Group's revenue streams and facilitate sustained profitability through selective positioning, new investments in property development and strategic alliances with experienced and local partners. The Investment, while not significant to the Metro Group as a whole, will nonetheless enable the Metro Group to further extend its property interests beyond the region and the PRC, being markets in which the Metro Group has made, and expects to continue to make, significant investments.

In 2014, Metro acquired a 25% effective interest in two predominantly residential development land sites in Manchester, UK. In 2016, Metro acquired another 50% effective interest in an office development land site in Sheffield, UK. This proposed Investment will further deepen the footprint of the Metro Group in UK.

4. CONSIDERATION

The purchase consideration for the Property is £76.0 million (approximately S\$139.5 million) which was arrived at based on arm's length negotiations. The Metro Group's 50% equity commitment for the Investment's gross purchase consideration of £80.75 million (approximately S\$148.2 million), is approximately £20.0 million (approximately S\$36.7 million), and will be financed by internal funds and bank borrowings.

5. NTA/FINANCIAL EFFECTS

The above Investment is 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 2018.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company (to the best of the knowledge 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 Investment has resulted in LKTMJ becoming a joint venture of Metro, 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
23 January 2018