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ASSET ACQUISITIONS AND DISPOSALS::METRO GROUP ACQUIRES TWO BLOCKS OF PREIMIUM GRADE-A GREEN MARK PLATINUM AWARD OFFICE PROPERTY

METRO HOLDINGS LIMITED - SG1I11878499 - M01

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Tan Ching Chek

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METRO GROUP ACQUIRES TWO BLOCKS OF PREIMIUM GRADE-A GREEN MARK PLATINUM AWARD OFFICE PROPERTY IN SINGAPORE.

Attachments



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METRO HOLDINGS LIMITED
(Company Registration No. 197301792W)

**METRO GROUP ACQUIRES TWO BLOCKS OF PREMIUM GRADE-A
GREEN MARK PLATINUM AWARD OFFICE PROPERTY IN SINGAPORE**

1. INTRODUCTION

The Board of Directors of Metro Holdings Limited ("**Metro**" or the "**Company**", together with its subsidiaries, the "**Metro Group**") wishes to announce that it has, through its indirect wholly-owned subsidiary incorporated in Singapore, Metrobilt Construction Pte Ltd ("**Metrobilt Construction**") entered into a 50% joint-venture with an affiliate of SRIF GP Pte. Ltd. ("**SRIF**"), an independent third party, to jointly acquire 7 & 9 Tampines Grande, a premium Grade-A office property in Singapore (the "**Investment**").

Both parties through a newly incorporated jointly-owned company, Ascend TGrande Pte. Ltd. ("**Ascend TGrande**" or the "**JV Company**") have entered into a shares sale agreement ("**Shares Sale Agreement**") with Golden Crest Holdings Pte. Ltd. (the "**Vendor**"), an independent third party, pursuant to which, *inter alia*, the Vendor has agreed to sell, and the JV Company has agreed to purchase, all the shares of T-Grande Investment Holding Pte. Ltd. ("**T-Grande Investment**" or the "**Target Company**"). The Target Company is the owner of all the shares of T-Grande Property Holding Pte. Ltd. ("**T-Grande Property**" or the "**PropCo**"), which owns and operates 7 & 9 Tampines Grande ("**the Property**").

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

2. INFORMATION RELATING TO THE INVESTMENT AND THE PROPERTY

2.1 INFORMATION ON THE INVESTMENT

The purchase consideration to acquire 50% of the issued shares of the Target Company is at approximately S\$19.4 million mainly comprises the consolidated net asset value of the Target Company and the PropCo, and to acquire the related shareholders loans of approximately S\$26.2 million. The total purchase consideration for 50% of the issued shares of approximately S\$45.6 million will be subject to adjustments upon completion date. Further, the Purchase Consideration was arrived at on a willing buyer willing seller basis after taking into account *inter alia* the expected net income to be derived from the Property.

The total investment cost comprises the acquisition price of the Property, the related stamp duty, financing costs, other costs and expenses which the JV partners envisaged to fund by a combination of shareholders' equity and shareholders' loans and bank borrowings.

2.2 INFORMATION ON THE PROPERTY

The Property, two blocks of 8-storey office towers linked by a double-volume entrance lobby with retail and F&B outlets on the ground floor, is a premium Grade-A commercial development with site area and gross floor area of approximately 86,110 square feet (“sq ft”) and 361,660 sq ft respectively.

The Property is situated in Tampines Regional Centre (“**TRC**”), the first and most established regional centre in Singapore. Just 25 minutes away from the Central Business District (“**CBD**”) and a 10-minute drive from Changi Airport, it is also well connected by both private and public transport, and easily accessible via major expressways. The Tampines MRT Interchange Station that is part of both East-West line and Downtown line is within 5 minutes’ walk, with one of the station’s exits directly opposite the Property.

The Property is a fairly new development built to a high specification. It was also conferred the Green Mark Platinum Award by the Building and Construction Authority and LEED Gold Certification by US Green Building Council. Its environmentally sustainable office space is increasingly demanded by high quality corporate occupiers.

The Property has a total net lettable area of approximately 288,000 sq ft and has achieved approximately 91% of committed occupancy rate. The tenants profile spans across a well diversify mix from conglomerate, technology, financial services and insurance industry and currently anchored by leading international names such as Hitachi Asia Ltd, Aldwych International Pte Ltd, NCR Asia Pacific Pte Ltd, AIA Singapore Private Limited and Sysmex Asia Pacific Pte. Ltd..

The key property information is summarised below:

Location	Lot 2559K of Mukim 29 located at 7 Tampines Grande, Singapore 528736 and 9 Tampines Grande, Singapore 528735
Completion	2009
Tenure	99 years leasehold from 20 August 2007
Site Area	86,110 sq ft
Gross Floor Area	361,660 sq ft
Committed Occupancy Rate	Approximately 91%
Key Tenants	Hitachi Asia Ltd, NCR Asia Pacific Pte Ltd, Aldwych International Pte Ltd, AIA Singapore Private Limited, Sysmex Asia Pacific Pte. Ltd.
Car Parks	164 lots

2.3 INFORMATION ON JV COMPANY, TARGET COMPANY AND PROPCO

Metrobilt Construction and SRIF incorporated the following jointly-owned company:

Name of JV Company	:	Ascend TGrande Pte. Ltd.
Country of incorporation	:	Singapore
Issued and Fully Paid Up Capital	:	S\$2
Shareholders	:	Metrobilt Construction and SRIF

Metrobilt Construction is a wholly-owned subsidiary of Metrobilt Pte Ltd, which in turn is a wholly-owned subsidiary of the Company.

Ascend TGrande has acquired the following wholly-owned subsidiary:

Name of subsidiary	:	T-Grande Investment Holding Pte. Ltd. ("T-Grande Investment" or the "Target Company")
Country of incorporation	:	Singapore
Issued and Fully Paid Up Capital	:	S\$14,204,583
Shareholder	:	Ascend TGrande Pte. Ltd.

T-Grande Investment owns the following wholly-owned subsidiary:

Name of subsidiary	:	T-Grande Property Holding Pte. Ltd. ("T-Grande Property" or the "PropCo")
Country of incorporation	:	Singapore
Issued and Fully Paid Up Capital	:	S\$65,954,315
Shareholder	:	T-Grande Investment Holding Pte. Ltd.

T-Grande Property owns 7 & 9 Tampines Grande, the Property.

3. RATIONALE FOR THE PROPOSED INVESTMENT

3.1 Exposure to Singapore Office Sector in the Eastern Region

The Singapore commercial market is poised to deliver strong growth over the next few years particularly in the CBD area which was driven by limited supply of offices in CBD and huge demand by co-working, banking, finance and insurance sectors. Prime office rents in the CBD area went up by 22% in year 2018 and is expected to go up further by 8% to 10% in year 2019 underpinned by the expansion of the information & communications, technology and business services sectors¹.

With the increasing rent in CBD area, whilst a relatively stable rent in the city fringe and suburban precincts, it has becoming more appealing to companies of significant size with functions that can be decoupled, to adopt a "decentralisation" of their office space¹. The

¹ Knight Frank, Singapore Research Office, Q4 2018 Office Market Snapshot

market also expects that the decentralised office strategy will dominate the office market over the next decade with the proportion of CBD office supply continues to fall due to the limited land.

Given the Singapore commercial market, particularly decentralised office, is at an inflection point and is poised to deliver strong growth over the decade, the Investment represents an excellent preposition for Metro to mark its entry and gain exposure to Singapore's limited Grade-A decentralised office market.

3.2 Strategic Location of the Property

The Property being located in TRC, is the focus of commercial activity for the eastern region. Market witnessed that increasingly major banks and insurance companies have chosen TRC as a decentralised location to establish their offices in a suburban location with a comprehensive range of amenities and impressive infrastructure. It is also expected that TRC to be one of the largest commercial cluster in Singapore after the CBD area.

With its strategic location and its connectivity to both private and public transportation network, Metro will be able to leverage on the growth potential for office market particularly in the eastern side of Singapore.

3.3 In line with Metro's Investment and Growth Strategy

The acquisition of The Property, an operational asset with approximately 91% occupied, will immediately contribute to the Group's stable income stream with potential positive rental reversion from upcoming lease renewals leveraging on the Singapore rising office market rents.

The Property has also received strata-subdivision approval from the relevant authorities which will provide flexibility for it to be held as a whole for long-term investment or for sale as individual strata units. Strata-titled office developments are traditionally concentrated in the CBD area with extremely limited strata-titled office options in the decentralised locations. Currently there is no strata-titled office development in Tampines and the eastern part of Singapore. Both JV partners envisaged that the strata-sale of the office space at the Property will also be explored, where feasible at appropriate time in order to maximise the returns from the Investment.

This Investment will further grow Metro's presence in Singapore. Currently Metro owns 40% of The Crest at Prince Charles Crescent, a 469-unit condominium comprising four blocks of 5-storey and three blocks of 24-storey residential buildings. The Crest, which sits on a land parcel of over 23,000 square metres, is of superior spatial quality, offering an openness and unblocked views that the site affords. The development was completed in February 2017.

The Investment is in line with Metro Group's stated intention to build its presence and investment in the region through selective positioning, new investments in quality properties 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.

4. CONSIDERATION

The Metro Group's 50% capital commitment for the Investment is approximately S\$45.6 million, and was arrived at based on arm's length negotiations.

The Metro Group's commitment and expenses relating to the transaction will be funded from internal cash sources and external 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 2020.

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 will, upon completion, result in Ascend TGrande and its subsidiaries becoming joint venture companies 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 and Eve Chan Bee Leng
Joint Company Secretaries
18 April 2019