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安全貨倉有限公司

SAFETY GODOWN CO LTD

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 237)**

## **DISCLOSEABLE TRANSACTION**

### **DISPOSAL OF PROPERTY**

#### **THE DISPOSAL**

On 18 July 2017, the Company and the Purchaser entered into the Sale and Purchase Agreement in respect of the Disposal, pursuant to which the Company has agreed to sell the Sale Share and to assign the Sale Debt and the Purchaser has agreed to purchase (or procure the Nominee to purchase) the Sale Share and to take up (or procure the Nominee to take up) the assignment of the Sale Debt. The Sale Share represents the entire issued share capital of Topgrade, which through its wholly-owned subsidiary owns the Property. The Consideration is the Agreed Property Value subject to adjustments for the Net Current Assets of the Target Group.

#### **LISTING RULES IMPLICATIONS**

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 18 July 2017, the Company and the Purchaser entered into the Sale and Purchase Agreement in respect of the Disposal. Pursuant to the Sale and Purchase Agreement, the Company has agreed to sell the Sale Share and to assign the Sale Debt, and the Purchaser has agreed to purchase (or procure the Nominee to purchase) the Sale Share and to take up (or procure the Nominee to take up) the assignment of Sale Debt. The Consideration is the Agreed Property Value, subject to adjustments for the Net Current Assets of the Target Group. The Sale Share represents the entire issued share capital of Topgrade, which through its wholly-owned subsidiary owns the Property.

## THE DISPOSAL

The principal terms of the Sale and Purchase Agreement are summarised below:

**Date** : 18 July 2017

**Parties** : the Company as vendor

: Mr. Lin Tsz Fung as purchaser

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is a third party independent of the Company and its connected persons.

**Subject matter** : The Company has agreed to sell the Sale Share representing the entire issued share capital of Topgrade and to assign the Sale Debt and the Purchaser has agreed to purchase (or procure the Nominee to purchase) the Sale Share and to take up (or procure the Nominee to take up) the assignment of the Sale Debt.

Topgrade owns the entire issued share capital of Magic Aim, which in turn holds the legal and beneficial interest in the Property.

**Consideration and : payment terms** The Consideration shall be paid by the Purchaser to the Company in the following manner:

- (1) HK\$19,600,000, being deposit and in part payment of the Consideration, has been paid by the Purchaser to the Company on the signing of the Sale and Purchase Agreement; and
- (2) HK\$176,400,000, subject to adjustments for the proforma Net Current Assets of the Target Group as at the date of Completion, shall be paid by the Purchaser to the Company on Completion.

### *Post-Completion adjustment*

The Consideration is subject to a post-completion adjustment for any difference between the proforma Net Current Assets of the Target Group and the audited Net Current Assets of the Target Group as at the date of Completion. Such adjustment shall be paid within five days of the receipt of the audited

consolidated completion accounts of the Target Group by the Company and the Purchaser.

*Basis of determining the Consideration*

The Consideration was agreed after arm's length negotiation between the Company and the Purchaser taking into account the book value of the Property of HK\$193.8 million as at 31 March 2017.

**Stamp duties** : All stamp duties payable in connection with the sale and purchase of the Sale Share and the assignment of the Sale Debt shall be borne by the Purchaser.

**Completion** : Completion shall take place on 17 November 2017 or such other date as the Company and Purchaser may agree.

Following Completion, each of Topgrade and Magic Aim will cease to be a subsidiary of the Company and their financial results will cease to be consolidated in the consolidated financial statements of the Company.

**Deed of Tax Indemnity**

At Completion, the Company will enter into a deed of tax indemnity with and in favour of the Purchaser or (if a Nominee is designated) the Nominee, Topgrade and Magic Aim, pursuant to which the Company agrees to indemnify the latter from and against certain tax liabilities of the Target Group prior to Completion, subject to the terms and limitations therein.

**INFORMATION OF THE TARGET GROUP AND THE PROPERTY**

The principal business activity of Topgrade is investment holding. Topgrade owns 100% in Magic Aim which in turn holds the legal and beneficial interest in the Property.

The Property comprises the entire 8<sup>th</sup> floor and eight carpark spaces of a commercial building known as One Harbour Square, which is located at No.181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The 8<sup>th</sup> floor has three units for office use and has a total gross floor area of approximately 18,300 sq. ft.. The Property is currently vacant and shall be delivered to the Purchaser with vacant possession at Completion.

The Property will be delivered on Completion as part of the assets of the Target Group.

As at 31 March 2017, the unaudited consolidated net asset value of Topgrade was approximately HK\$103.2 million. If the Sale Debt was excluded, the unaudited consolidated net asset value of Topgrade as at 31 March 2017 would be increased to approximately HK\$194.3 million.

Topgrade and Magic Aim were incorporated in March 2016 and both of them have not been engaged in any business other than the investment in Magic Aim and the Property respectively. The unaudited consolidated net profits (both before and after taxation) of Topgrade for the year ended 31 March 2017 are as follows:

**For the year ended 31  
March 2017  
(unaudited)**

Net profit before taxation	HK\$ 103.8 million
Net profit after taxation	HK\$ 103.2 million

### **FINANCIAL EFFECTS OF THE DISPOSAL**

It is expected that upon Completion, a loss from the Disposal of approximately HK\$18 million attributable to the Group's reported profit for the year ending 31 March 2018 would be recognised, being the Agreed Property Value as adjusted by the unaudited Net Current Assets of the Target Group as at 31 March 2017, less (i) the unaudited consolidated net asset value of the Target Group as at 31 March 2017 (which comprises, among others, the carrying amount of the Property based on its fair value as at 31 March 2017, but excludes the Sale Debt); (ii) the estimated profit tax of the Group resulting from the Disposal; and (iii) the estimated expenses incurred in connection with the Disposal. Adding back the fair value gain on the Property of approximately HK\$105 million for the year ended 31 March 2017, upon Completion, an estimated gain from the Disposal, attributable to the Group's underlying profit for the year ending 31 March 2018, would amount to approximately HK\$87 million.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF SALE PROCEEDS**

The Board considers that the Disposal is a good opportunity for the Company to yield a reasonable profit. In view of the uncertainties over the U.S. interest rate hike timetable which leads to similar uncertainties in Hong Kong interest rates, the Company is of the view that it is a suitable time to unlock the value of the Group's investment in the Property.

The Company currently intends to apply the net sale proceeds from the Disposal in the general working capital and future investments of the Group.

The Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## GENERAL INFORMATION

The principal activities of the Group are investment holding, treasury investment and the operation of public godowns.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings as set out below:

“Agreed Property Value”	HK\$196,000,000, which represents the value of the Property as agreed between the Company and the Purchaser for purpose of determining the Consideration;
“Board”	the board of Directors;
“Company”	Safety Godown Company, Limited 安全貨倉有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00237);
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the aggregate consideration for the Disposal payable by the Purchaser to the Company;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Debt by the Company to the Purchaser or to the Nominee (as the case may be) on and pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Group”	the Company together with its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Magic Aim”	Magic Aim Enterprises Limited 宏目企業有限公司, a company incorporated in Hong Kong with limited liability;
“Net Current Assets”	the consolidated current assets of the Target Group (for the avoidance of doubt, excluding the Property) less the consolidated current liabilities of the Target Group (excluding the Sale Debt and any deferred tax liabilities)
“Nominee”	a company which is 100%-owned by the Purchaser and designated by the Purchaser to be the transferee of the Sale Share and the assignee of the Sale Debt at Completion in accordance with the terms and conditions of the Sale and Purchase Agreement;
“Property”	(i) the whole floor of 8 <sup>th</sup> floor (comprising units nos.1, 2 and 3); and (ii) car parking spaces nos.P25 and P35 on 1 <sup>st</sup> floor and P51, P52, P53, P55, P56 and P57 on 2 <sup>nd</sup> floor of One Harbour Square, No.181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong;
“Purchaser”	Mr. Lin Tsz Fung;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 July 2017 entered into between the Company and the Purchaser in relation to the Disposal;
“Sale Debt”	the entire amount of shareholder loans owing by Topgrade to the Company as at Completion;
“Sale Share”	one issued share of Topgrade, representing the entire issued share capital of Topgrade;
“Shares”	the ordinary shares in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	collectively, Topgrade and Magic Aim; and
“Topgrade”	Topgrade Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability.

By order of the Board  
**Wong Leung Wai**  
*Company Secretary*

Hong Kong, 18 July 2017

*As at the date of this announcement, the Board comprises Mr. Lu Wing Yee, Wayne as Executive Director; Mr. Lee Ka Sze, Carmelo as Non-executive Director; and Mr. Gan Khai Choon, Mr. Lam Ming Leung and Mr. Leung Man Chiu, Lawrence as Independent Non-executive Directors.*