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## **ARTGO HOLDINGS LIMITED**

**雅高控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3313)**

### **MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF RIGHTEOUS RISE LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

**Financial Adviser**



**Euto Capital Partners Limited**

#### **THE ACQUISITION**

The Board is pleased to announce that on 10 August 2018 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 60% of the issued share capital of the Target Company, at the Consideration of HK\$120,000,000 (subject to adjustments) which shall be satisfied (i) as to sums of HK\$30,000,000 by Cash Consideration; and (ii) as to HK\$90,000,000 by the allotment and issuance of Consideration Shares.

Upon Completion, the Purchaser will be interested in 60% equity interest in the Target Company. As such, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares under the Agreement is subject to the Specific Mandate to be sought from the Shareholders at the EGM.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition and the Specific Mandate.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the enlarged Group; (iv) valuation report on the Target Company; and (v) notice of the EGM, will be despatched to the Shareholders on or before 31 August 2018.

**Completion is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 29 January 2018 relating to the entering into of the memorandum of understanding on the same date for the possible acquisition of 60% issued share capital of the Target Company.

## **THE ACQUISITION**

On 10 August 2018 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 60% of the issued share capital of the Target Company, at the Consideration of HK\$120,000,000 (subject to adjustments).

The principal terms of the Agreement are summarized as follows:

**Date**

10 August 2018 (after trading hours)

**Parties**

- (i) the Purchaser;
- (ii) the Vendor; and
- (iii) the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party.

**Assets to be acquired**

Pursuant to the Agreement, the Vendor shall sell the Sale Shares as beneficial owner and the Purchaser shall purchase all the Sale Shares, representing 60% issued share capital of the Target Company.

**Consideration**

Subject to the adjustment set out in the section headed "**PROFIT GUARANTEE**" of this announcement, the Consideration payable by the Purchaser to the Vendor for the Sale Shares shall be HK\$120,000,000 which shall be paid or settled as follows:

- (a) as to sums of HK\$30,000,000, in form of Cash Consideration, in favour of the Vendor or its designated nominee to be paid by the Purchaser by way of remittance to the bank account as designated by the Vendor in the following manner:
  - (i) first payment of cash of HK\$10,000,000 by not later than 12 months after the Completion Date;
  - (ii) second payment of cash of HK\$10,000,000 by not later than 24 months after the Completion Date; and
  - (iii) third payment of cash of HK\$10,000,000 by not later than 36 months after the Completion Date.
- (b) as to HK\$90,000,000 in form of Consideration Shares in favour of the Vendor or its designated nominee on Completion.

## **Basis for determination of the Consideration**

The Consideration was determined based on arm's length negotiations between the Purchaser and the Vendor with reference to, among others, the preliminary valuation of the Target Company of approximately HK\$246,800,000 based on the market approach as at 16 July 2018 prepared by Colliers International (Hong Kong) Limited, an independent valuer.

## **Profit guarantee**

Pursuant to the Agreement, the Vendor unconditionally and irrevocably represents and warrants to and undertake with the Purchaser that as long as the Vendor remaining as a director of all members of the Target Group, the Consolidated Net Profit for the following three guaranteed periods (i) the nine months ended 31 December 2018; (ii) the year ended 31 December 2019; and (iii) the year ended 31 December 2020 (each a "**Guaranteed Period**"), shall not be less than the respective amount set out opposite to the corresponding Guarantee Period below:

<b>Guarantee Period</b>	<b>Profit guarantee</b>
the nine months ended 31 December 2018	HK\$12,000,000
the year ended 31 December 2019	HK\$21,000,000
the year ended 31 December 2020	HK\$23,000,000

The above profit guarantee shall survive the Completion. Under no circumstances shall the Vendor dispute its obligation under the clause relating to the above profit guarantee as set out in the Agreement notwithstanding that the Target Group shall be owned by the Purchaser as to 60% and controlled by the Purchaser upon Completion.

A certificate from the auditors of the Target Company certifying the "Consolidated Net Profit" of the Target Company shall be final, conclusive and binding on the parties to the Agreement ("**Guarantee Profit Certificate**"). The parties to the Agreement shall use their reasonable endeavours to procure the said auditors to issue the Guarantee Profit Certificate not later than three months immediately after the end of each Guaranteed Period as mentioned above.

For each Guaranteed Period, upon issuance of the Guarantee Profit Certificate, if there shall be any shortfall in relation to the Consolidated Net Profit and the corresponding Profit Guarantee as set out above, the Vendor shall indemnify the Company forthwith ("**Payback Amount**"). Accordingly, the Vendor shall pay the Payback Amount to the Purchaser within 5 days upon request by the Purchaser.

## **Consideration Shares**

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when issued upon Completion, will rank pari passu in all respects with the existing Shares in issue.

The Issue Price of HK\$0.45 per Consideration Share represents:

- (i) a premium of approximately 8.43% over the closing price of HK\$0.415 per Share as quoted on the Stock Exchange as at the date of the Agreement; and
- (ii) a premium of approximately 11.94% over the average closing price of HK\$0.402 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Agreement.

The Issue Price was determined after arm's length negotiation between the Company and the Vendor with reference to the prevailing market prices of the Shares immediately before the date of the Agreement. The Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 8.72% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 8.02% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to Completion).

### **Conditions precedent**

Pursuant to the Agreement, the obligations of the parties to the Agreement to complete the sale and purchase of the Sale Shares under the Agreement are conditional upon fulfillment of all of the following conditions on or before the Long Stop Date:

- (a) the shareholders of the Company passing at the EGM the ordinary resolution approving the Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules, the constitution of the Company and applicable laws and regulations; and
- (b) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which neither the Vendor nor the Company may reasonably object) or agreed to grant listing of and permission to deal in the Consideration Shares;
- (c) the Purchaser having completed and being satisfied with the results of the due diligence review entitled to and carried out by the Purchaser pursuant to the Agreement;
- (d) the Purchaser having being satisfied with the results of the valuation report in respect of the Target Group to be prepared by an independent valuer; and
- (e) (if necessary) all other authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the transactions contemplated hereunder having been granted, received or obtained and not revoked.

The Purchaser may in its absolute discretion at any time before Completion waive the conditions precedent (c) and (d) as set out above by notice to the Vendor and such waiver may be subject to such terms and conditions as determined by the Purchaser.

The Vendor shall use its best endeavours to procure the fulfillment of the conditions precedent as set out above on or prior to the Long Stop Date and in particular (without limiting the generality of the foregoing) shall furnish such information and documents and provide necessary assistance as may be reasonably required by the Purchaser in respect of the above conditions precedent.

If the above conditions precedent are not fulfilled (or waived by the Purchaser in respect of the conditions precedent (c) and/or (d) as set out above) in accordance with the provisions as set out above, the Agreement shall (unless otherwise agreed in writing by the parties to the Agreement) terminate and the Vendor shall refund any of the Consideration received by the Vendor (if any) before to the Purchaser without interest within 5 business days after termination, none of the Parties will have any claim against the other in respect of any matter or thing arising out of or in connection with the Agreement save for the obligations of the Vendor to refund the Consideration and any antecedent breach of any obligation under the Agreement.

### **Completion**

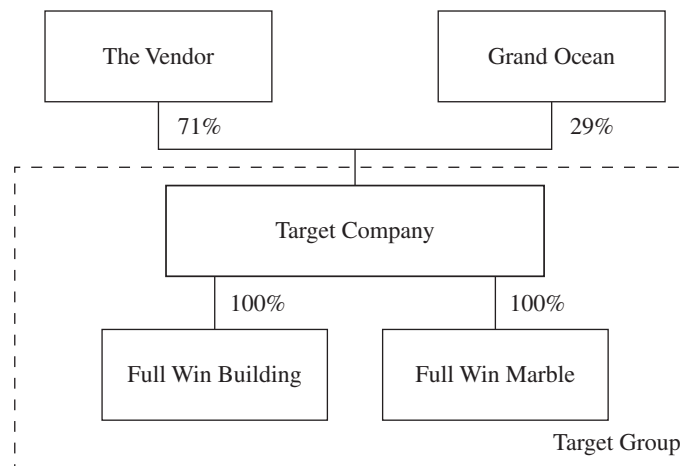
The Completion shall take place at or before 5:00 p.m. on the Completion Date at the offices of the Purchaser or such other place as may be agreed in writing by the parties to the Agreement.

Upon Completion, the Purchaser will be interested in 60% equity interest in the Target Company. As such, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

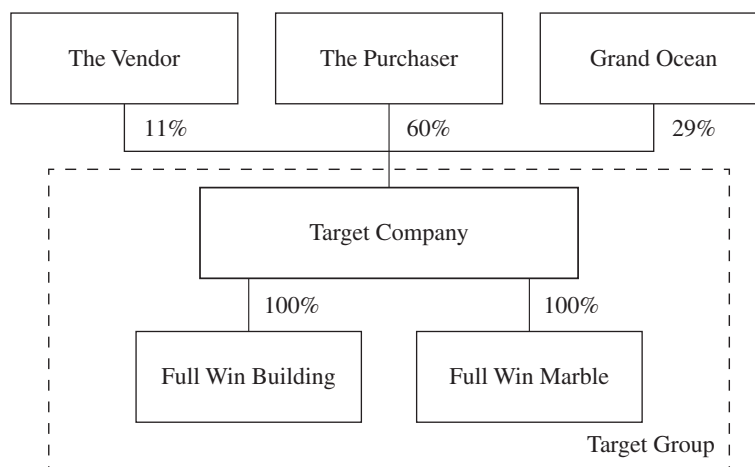
### **INFORMATION ON THE TARGET GROUP**

The following diagram illustrates the shareholding structures of the Target Group (i) as at the date of this announcement and (ii) immediately after the Completion:

#### **Shareholding structure of the Target Group as at the date of this announcement**



## Shareholding structure of the Target Group immediately after the Completion



### (i) *The Target Company*

The Target Company is a company incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Vendor owns 71% of the equity interest of the Target Company.

As at the date of this announcement, the Target Company owns the entire equity interest of (i) Full Win Building and (ii) Full Win Marble.

### (ii) *Full Win Building*

Full Win Building is a company incorporated in Hong Kong with limited liability and is principally engaged in provision of construction services.

### (iii) *Full Win Marble*

Full Win Marble is a company incorporated in Hong Kong with limited liability and is principally engaged in the trading of marble and granite materials and products and provision of construction services.

## Financial information of the Target Group

Set out below are the financial information of the Target Group, as extracted from its unaudited consolidated financial statements for the year ended 31 March 2017 and 31 March 2018:

	For the year ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	137,113	150,859
Profit before tax	11,101	22,236
Profit after tax	8,135	17,981

The total assets, total liabilities and net assets of the Target Group as at 31 March 2018 according to its unaudited consolidated financial statements were approximately HK\$122,836,000, HK\$62,433,000 and HK\$60,403,000 respectively

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group was principally engaged in the business of mining, processing, trading and sale of marble stones and trading of commodities.

As disclosed in the annual report of the Company for the year ended 31 December 2017, the Directors consider that the Company will further expand its modern logistics, material processing (including processing of marble stones) and supply chain finance business for development of commodity trading for enhanced profitability. In light of this, the Directors consider that the entering into of the Agreement could represent a viable business opportunity to step forward in strengthening and to further expand the Group's existing business segment by widening the spectrum from stone mining to the construction end including but not limited to marble and granite installation services. In order to maximise return to the Company and the shareholders of the Company in the long run, the Directors believe that the Acquisition, should it be materialised, will enhance the corporate development of the Group which will be in the best interests of the Company and its shareholders as a whole.



## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below illustrate the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issuance of all the Consideration Shares, assuming there are no other changes in the share capital of the Company from the date of the announcement to the date of allotment and issuance of the Consideration Shares:

<i>Shareholders</i>	<b>As at the date of this announcement</b>		<b>Immediately upon the allotment and issuance of the Consideration Shares</b>	
	<i>Number of Shares</i>	<i>Approximate Percentage (%)</i>	<i>Number of Shares</i>	<i>Approximate Percentage (%)</i>
Wu Jing ( <i>Note</i> )	536,832,840	23.41	536,832,840	21.53
China Marble Investment Holdings Limited	229,169,452	9.99	229,169,452	9.19
Shanghai Jihua Logistics Limited* (上海際華物流有限公司)	190,000,000	8.28	190,000,000	7.62
Qin Yin	168,692,160	7.36	168,692,160	6.77
Sun Haocheng	140,678,000	6.13	140,678,000	5.64
China First Capital Group Limited	126,096,000	5.50	126,096,000	5.06
The Vendor	—	—	200,000,000	8.02
Public shareholders	<u>901,906,433</u>	<u>39.33</u>	<u>901,906,433</u>	<u>36.17</u>
<b>Total</b>	<b><u>2,293,374,885</u></b>	<b><u>100.00</u></b>	<b><u>2,493,374,885</u></b>	<b><u>100.00</u></b>

*Note:* Wu Jing is an executive Director.

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares under the Agreement is subject to the Specific Mandate to be sought from the Shareholders at the EGM.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition and the Specific Mandate.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the enlarged Group; (iv) valuation report on the Target Company; and (v) notice of the EGM, will be despatched to the Shareholders on or before 31 August 2018.

**Completion is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 10 August 2018 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Cash Consideration”	sums of HK\$30,000,000 in form of cash, being part of the Consideration (subject to adjustment under the section headed “Profit Guarantee” of this announcement)

“Company”	ArtGo Holdings Limited (雅高控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 3313)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement
“Completion Date”	the business day agreed by the Parties to perform Completion which shall be within 7 business days immediately following the satisfaction (or waiver) of all the conditions precedent (or such other date to be agreed by the parties to the Agreement) pursuant to the Agreement
“Connected Person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	means HK\$120,000,000 (subject to adjustment under the section headed “Profit Guarantee” of this announcement), being the purchase price for the Sale Shares and comprising Cash Consideration and Consideration Shares
“Consideration Shares”	sums of HK\$90,000,000 in form of Shares to the Vendor (or his nominees), being part of the Consideration
“Consolidated Net Profit”	the consolidated net profit after tax, minority interests and extraordinary items of the Target Group for the relevant period
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Consideration Shares
“Full Win Building”	Full Win Building Services Limited (富盈建工有限公司), a company incorporated in Hong Kong with limited liability
“Full Win Marble”	Full Win Marble & Granite Company Limited (富盈(林氏)石材有限公司), a company incorporated in Hong Kong with limited liability
“Grand Ocean”	Grand Ocean Investment Group Limited, a company incorporated in BVI with limited liability. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Grand Ocean and its ultimate beneficial owners are Independent Third Parties.

“Group”	the Company and its subsidiaries
“Guarantee Period”	each of (i) the nine months ended 31 December 2018; (ii) the year ended 31 December 2019; and (iii) the year ended 31 December 2020
“Guarantee Profit Certificate”	a certificate from the auditors of the Target Company certifying the “Consolidated Net Profit” of the Target Company shall be final, conclusive and binding on the parties to the Agreement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected to the Company and any of its connected persons (as defined in the Listing Rules) or their respective associates
“Issue Price”	the issue price of HK\$0.45 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2018 or such other date as the parties to the Agreement may agree
“Main Board”	Main Board of the Stock Exchange
“Payback Amount”	upon issuance of the Guarantee Profit Certificate, if there shall be any shortfall in relation to the Consolidated Net Profit and the corresponding Profit Guarantee, the Vendor shall indemnify the Company for each Guaranteed Period
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Purchaser”	ArtGo Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Sale Share(s)”	60% of the issued capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to allot and issue the Consideration Shares to be sought from the Shareholders at the EGM

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Righteous Rise Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Lam Tuen Yee (林端義)
“%”	per cent

By Order of the Board  
**Artgo Holdings Limited**  
**Wu Jing**  
*Chairman and Executive Director*

Hong Kong, 10 August 2018

*As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing and Dr. Leung Ka Kit; the non-executive Director is Mr. Gu Zengcai; and the independent non-executive Directors are Ms. Zhang Xiaohan, Ms. Lung Yuet Kwan and Mr. Hui Yat On.*

\* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails*