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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF PROPERTIES INVOLVING THE ISSUE OF NEW SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 13 June 2019 (after trading hours), 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 dispose the Sale Shares, representing the entire issued share capital of the Target Company, at an aggregate consideration of RMB212,000,000 (equivalent to approximately HK\$240,909,000).

Upon Completion, the Target Company will become a subsidiary of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group.

LISTING RULE IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Completion of the Acquisition is subject to fulfillment of the conditions precedent set out in the Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 June 2019 in respect of, among others, the memorandum of understanding (the “**MOU**”) dated 3 June 2019 entered into between the Company and the Vendor relating to the Acquisition.

On 13 June 2019 (after trading hours), 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 dispose the Sale Shares, representing the entire issued share capital of the Target Company, at an aggregate consideration of RMB212,000,000 (equivalent to approximately HK\$240,909,000). A summary of the key terms of the Agreement are set out below.

THE AGREEMENT

Date: 13 June 2019

Parties: (i) the Purchaser; and
(ii) the Vendor.

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

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to dispose the Sale Shares, representing the entire issued share capital of the Target Company.

The Target Group is undergoing the Structural Restructuring and the Assets Restructuring to proceed the Acquisition. Completion of such Structural Restructuring and the Asset Restructuring is one of the conditions precedents of the Agreement.

The Target Company is wholly owned by the Vendor and upon completion of the Structural Restructuring and the Assets Restructuring, the Target Group owns the entire interest in the Target Properties.

Consideration

Pursuant to the Agreement, the Consideration shall be RMB212,000,000 (equivalent to approximately HK\$240,909,000) for the Sale Shares.

Pursuant to the Agreement, the Consideration shall be paid by the Company to the Vendor by way of the allotment and issuance of the Consideration Shares at the Issue Price of HK\$0.81 per Share, being 297,418,630 new Shares (equivalent to approximately HK\$240,909,000).

In the event where the Aggregate Amount (as defined below) is lower than the Consideration, the Consideration is subject to completion adjustment by the difference in

- (i) the aggregate amount (“**Aggregate Amount**”) of the valuation (the “**Valuation**”) in respect of the fair value of the Target Properties (except any of the Target Property(ies) which fails to transfer its title of ownership and interest to Shanghai Huanle under the Assets Restructuring) at the date of Completion subject to the results of the Assets Restructuring; and
- (ii) the Consideration.

Basis of the Consideration

The Consideration was arrived at after arm’s length negotiation between the Vendor and the Purchaser, having taken into account the aggregate preliminary valuation of the Target Properties of approximately RMB212,082,000 (equivalent to approximately HK\$241,002,000) as at 21 March 2019.

The aforesaid preliminary valuation of the Target Properties was prepared based on the market approach on the direct comparison method. An independent professional valuer was engaged by the Company to conduct the Valuation.

Taking into account the above, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedents

The Agreement shall be unconditional upon the following conditions being fulfilled and satisfied on or before the Long Stop Date:

- (a) the Structural Restructuring and the Assets Restructuring having been completed to the satisfaction of the Purchaser;
- (b) the Purchaser having entrusted a qualified valuer to verify and appraise the fair value of the Target Properties and being reasonably satisfied with the report of the valuation;
- (c) the Purchaser being reasonably satisfied with the content and conclusion of the PRC legal opinions in respect of the Target Group;
- (d) the Purchaser being reasonably satisfied and accepting the results of the due diligence (including the due diligence of the legal and financial affairs) conducted on the Target Group;
- (e) there being no breach of any of the representations, warranties and undertakings given under the Agreement prior to the Completion;
- (f) there being no material breach of any of the terms and conditions set out in the Agreement by the Vendor and the Target Group prior to the Completion;

- (g) the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Consideration Shares; and
- (h) all necessary relevant approvals and consents (including approvals of the relevant governmental and regulatory authorities) if any, in relation to the Agreement and the transactions contemplated therein having been obtained by the Vendor.

The Purchaser may waive in writing the conditions precedent (d), (e) and (f) as set out above at its absolute discretion. The above conditions precedent (a), (b), (c), (g) and (h) shall not be waived. In the event that all conditions precedent above not being satisfied or waived (as the case may be) on or before the Long Stop Date, and without affecting the liabilities for any breach of any terms of the Agreement, the Agreement and any matters contained thereof and the rights and obligations of the Agreement and the parties shall be deemed to be void. No party shall have any claim against the other in respect the obligations and liabilities or the sale and purchase of the Sale Shares contemplated thereunder; provided that (i) non-fulfilment of any of the conditions is not due to the fault or default of the Purchaser or the Vendor; or (ii) there are prior breaches of the terms of the Agreement.

Completion

The Completion shall take place no later than the Long Stop Date after the conditions precedent to the Agreement having been fulfilled (or waived), or such other day as the parties to the Agreement may mutually agree in writing.

Upon Completion, the Target Company will become a subsidiary of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group.

Consideration Shares

The Consideration Shares will be issued at the Issue Price of HK\$0.81 per Consideration Share which represents:

- (i) a discount of approximately 21.36% to the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a discount of approximately 19.16% to the average closing price of approximately HK\$1.002 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Agreement;

The Issue Price was determined after arm's length negotiations between the Company and the Vendors, with reference to (i) the market price of the Shares then prevailing prior to the entering into the MOU and represents a discount of 19.48% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the MOU; and (ii) the aggregate of the preliminary valuation of the Target Properties of approximately RMB212,082,000 (equivalent to approximately HK\$241,002,000) as at 21 March 2019.

The Consideration Shares represent: (i) approximately 10.81% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.75% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

General Mandate

The Consideration Shares will be allotted and issued under the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with each other and with other Shares then in issue at the time of issue of the Consideration Shares.

Financial information of the Target Group

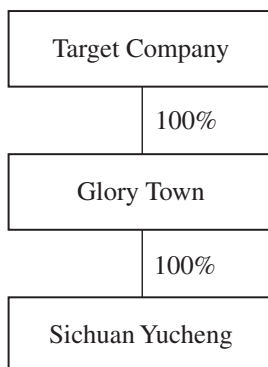
As advised by the Vendor, each of the Target Company, Glory Town and Sichuan Yucheng is principally engaged in investment holding and no business was conducted by each of the aforesaid since its incorporation. Besides, Shanghai Huanle was set up for the sole purpose of holding the Target Properties and no business was conducted by Shanghai Huanle since its incorporation. In light of the above, no significant profit and loss items were recorded by the Target Group during the year 2017 and 2018 and for the period from 1 January 2019 and up to the date of this announcement.

As at 31 May 2019, the combined unaudited net assets value of the Target Group was approximately RMB68,000.

INFORMATION ON THE TARGET GROUP AND THE TARGET PROPERTIES

The following diagram illustrates the shareholding structures of the Target Group (i) as at the date of this announcement, (ii) immediately after the Structural Restructuring and the Assets Reorganisation but prior to the Completion; and (iii) immediately after the Completion:

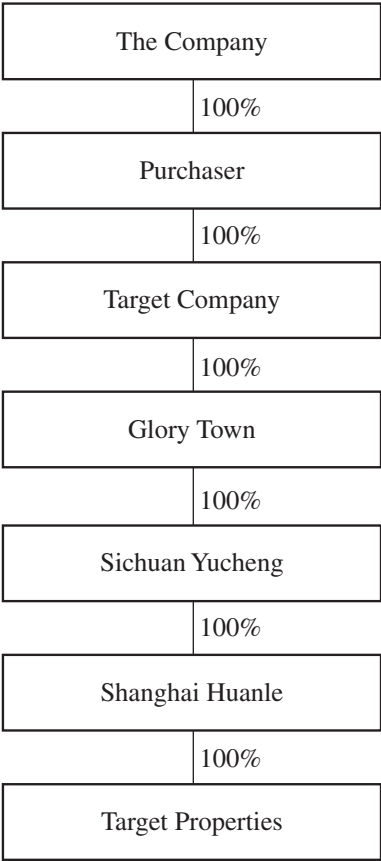
Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately after the Structural Restructuring and the Assets Reorganisation but prior to the Completion



Shareholding structure of the Target Group immediately after the Completion



(i) *The Target Company*

The Target Company is a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is owned by the Vendor as at the date of this announcement. As at the date of this announcement, the Target Company is principally engaged in investment holding and is holding the entire issued share capital of Glory Town.

(ii) *Glory Town*

Glory Town is a company incorporated in Hong Kong with limited liability and its entire issued share capital is owned by the Target Company. As at the date of this announcement, Glory Town is principally engaged in investment holding and is holding the entire equity interest of Sichuan Yucheng.

(iii) *Sichuan Yucheng*

Sichuan Yucheng is a company established in the PRC with limited liability and its entire equity interest is owned by Glory Town as at the date of this announcement. As at the date of this announcement, Sichuan Yucheng is principally engaged in investment holding. As advised by the Vendor, Sichuan Yucheng is undergoing the Structural Restructuring.

Upon completion of the Structural Restructuring, Sichuan Yucheng shall hold the entire equity interest in Shanghai Huanle.

(iv) *Shanghai Huanle*

Shanghai Huanle is a company established in the PRC with limited liability and its entire equity interest is owned by an Independent Third Party as at the date of this announcement. As at the date of this announcement, Shanghai Huanle is principally engaged in investment holding. As further advised by the Vendor, Shanghai Huanle is undergoing the Assets Restructuring.

Upon completion of the Assets Restructuring, Shanghai Huanle shall hold the entire interest in the Target Properties.

(v) *The Target Properties*

The Target Property-1 is located in Room 101, Block 2, No. 1, Xinhua Road, Shanghai, the PRC* (中國上海市新華路1號2座101室), with a gross floor area of approximately 357.05 square meters, which is for residential use and a car park space.

The Target Property-2 is located in Room 102, Block 2, No. 1, Xinhua Road, Shanghai, the PRC* (中國上海市新華路1號2座102室), with a gross floor area of approximately 435.19 square meters, which is for residential use.

The Target Property-3 is located in Room 1002, No. 5, Lane 566, Zhongshan South Road, Huangpu District, Shanghai, the PRC* (中國上海市黃浦區中山南路566弄5號1002室), with a gross floor area of approximately 234.46 square meters, which is for residential use.

The Target Property-4 is located in No. 271, Lane 1883, Huamu Road, Shanghai, the PRC* (中國上海市花木路1883弄271號), with a gross floor area of approximately 491.11 square meters, which is for residential use.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,752,041,551 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issuance of the Consideration Shares and assuming there are no other changes in the share capital of the Company from the date of this announcement to the date of allotment and issue of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately upon the allotment and issuance of the Consideration Shares		Immediately upon the allotment and issuance of Consideration Shares and the First Acquisition Consideration Shares	
	Approximately Shares	%	Approximately Shares	%	Approximately Shares	%
Wu Jing (<i>Note</i>)	536,832,840	19.51	536,832,840	17.60	536,832,840	16.94
Shanghai Jihua Logistics Limited* (上海際華物流有限公司)	190,000,000	6.90	190,000,000	6.23	190,000,000	6.00
First Acquisition Vendor	—	—	—	—	119,248,035	3.76
Vendor	—	—	297,418,630	9.75	297,418,630	9.39
Public Shareholders	<u>2,025,208,711</u>	<u>73.59</u>	<u>2,025,208,711</u>	<u>66.42</u>	<u>2,025,208,711</u>	<u>63.91</u>
Total	<u>2,752,041,551</u>	<u>100.00</u>	<u>3,049,460,181</u>	<u>100.00</u>	<u>3,168,708,216</u>	<u>100.00</u>

Note: Wu Jing is an executive Director and is interested in the said Shares because of her personal interest and spouse interest.

REASONS AND BENEFITS FOR ENTERING INTO THE AGREEMENT

The Company is an investment holding company, the Group mainly engages in mining, processing, trading and sales of marble stones, trading of commodities and cargo handling, warehousing and logistics.

The Group has been actively considering and exploring various opportunities for investment projects and to broaden the scope of investment according to the market conditions with an aim to enhance the Shareholders' value. In light of this, the Directors have assessed the entering into the Agreement and the transactions contemplated thereunder and consider that the prospect of the PRC property market is positive and the Target Properties is situated in a very good location of the residential districts, hence, it is of the view that the Acquisition is a valuable investment opportunity for the Group to participant in the PRC property market which will enable the Group to benefit from the potential long term appreciation of the Target Properties in the PRC property market. Upon Completion, the Board intends to lease out the Target Properties which will provide future stable income for the Group.

In order to maximise return to the Company and the Shareholders 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.

LISTING RULE IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Completion of the Acquisition is subject to fulfillment of the conditions precedent set out in the Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Agreement
“Aggregate Amount”	the aggregate amount of the valuation in respect of the fair value of the Target Properties (except any of the Target Property(ies) which fails to transfer its title of ownership and interest to Shanghai Huanle under the Assets Restructuring) as at the date of Completion subject to the results of the Assets Restructuring
“Agreement”	the conditional sale and purchase agreement dated 13 June 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Assets Restructuring”	the restructuring of transferring the title of ownership and interest in Target Property(ies) to Shanghai Huanle subject to the approval of the relevant government authorities
“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

“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 Main Board (Stock Code: 3313)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Main Board Listing Rules
“Consideration”	RMB212,000,000 (equivalent to approximately HK\$240,909,000), being the total consideration for the Acquisition
“Consideration Share(s)”	the 297,418,630 new Shares to be allotted and issued to the Vendor at the Issue Price, credited as fully paid, for the purpose of settling the Consideration
“Director(s)”	the director(s) of the Company
“First Acquisition”	The acquisition of the sale share and acceptance of the assignment of the sale loan under the conditional sale and purchase agreement dated 10 June 2019, details of which are set out in the announcement of the Company dated 10 June 2019
“First Acquisition Consideration Shares”	The shares to be allotted and issued upon completion of the First Acquisition
“First Acquisition Vendor”	Zhang Yuan* (張元), being the vendor under the conditional sale and purchase agreement dated 10 June 2019 in relation to the First Acquisition
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 31 May 2019 to issue and allot up to 550,408,310 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution
“Glory Town”	Glory Town Investment Limited, a company incorporated in Hong Kong with limited liability and the entire issued share capital is owned by the Target Company as at the date of this announcement

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Issue Price”	HK\$0.81, being the issue price per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 August 2019
“Main Board”	Main Board of the Stock Exchange
“MOU”	the memorandum of understanding dated 3 June 2019 entered into by the Company and the Vendor setting out the preliminary understanding for the potential acquisition of the entire issued share capital of the Target Company by the Company (or any of its nominated associate) from the Vendor
“Purchaser”	Artgo Investment Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company as at the date of the announcement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	10,000 issued and fully paid up shares of the Target Company, representing the entire issued share capital of Target Company, being beneficially owned by the Vendor
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“Shanghai Huanle”	Shanghai Huanle Enterprise Management Company Limited* (上海奐樂企業管理有限公司), a company established in the PRC with limited liability and the entire equity interest is owned by an Independent Third Party
“Sichuan Yucheng”	Sichuan Yucheng Trading Company Limited* (四川譽城貿易有限公司), a company established in the PRC with limited liability and the entire equity interest is owned by Glory Town as at the date of this announcement
“Structural Restructuring”	the restructuring of transferring the entire equity interests in Shanghai Huanle to Sichuan Yucheng
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Good Benefit Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is owned by Vendor as at the date of this announcement
“Target Group”	collectively the Target Company, Glory Town, Sichuan Yucheng and Shanghai Huanle
“Target Property(ies)”	collectively the Target Property-1, Target Property-2, Target Property-3 and Target Property-4
“Target Property-1”	a property located in Room 101, Block 2, No. 1, Xinhua Road, Shanghai, the PRC* (中國上海市新華路1號2座101室), with a gross floor area of approximately 357.05 square meters and a car park space
“Target Property-2”	a property located in Room 102, Block 2, No. 1, Xinhua Road, Shanghai, the PRC* (中國上海市新華路1號2座102室), with a gross floor area of approximately 435.19 square meters
“Target Property-3”	a property located in Room 1002, No. 5, Lane 566, Zhongshan South Road, Huangpu District, Shanghai, the PRC* (中國上海市黃浦區中山南路566弄5號1002室), with a gross floor area of approximately 234.46 square meters
“Target Property-4”	a property located in No. 271, Lane 1883, Huamu Road, Shanghai, the PRC* (中國上海市花木路1883弄271號), with a gross floor area of approximately 491.11 square meters
“Valuation”	the valuation in respect of the fair value of the Target Properties as at 31 May 2019

“Vendor” Zhou Chengjiu* (周成九)

“%” per cent

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

Hong Kong, 13 June 2019

* *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.*

As at the date of this notice, 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.