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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 THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF NEW SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 2 July 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 the Sale Shares from the Vendor and to accept the assignment of the Sale Loan from the Vendor at an aggregate consideration of RMB45,000,000 (equivalent to approximately HK\$51,136,000).

The Sale Shares represent the entire issued share capital of the Target Company as at the date of this announcement and the Sale Loan represents all outstanding loan(s) owing by the Target Group to the Vendor as at the date of this announcement.

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 materialize 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 2 July 2019, 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 the Sale Shares from the Vendor and to accept the assignment of the Sale Loan from the Vendor. A summary of the key terms of the Agreement are set out below.

THE AGREEMENT

Date: 2 July 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 the Sale Shares from the Vendor and to accept the assignment of the Sale Loan from the Vendor.

The Sale Shares represent the entire issued share capital of the Target Company as at the date of this announcement and the Sale Loan represents all outstanding loan(s) owing by the Target Group to the Vendor as at the date of this announcement.

Consideration

Pursuant to the Agreement, the Consideration shall be RMB45,000,000 (equivalent to approximately HK\$51,136,000), comprising of RMB24,449,098 (equivalent to approximately HK\$27,783,000) for the Sale Shares and RMB20,550,902 (equivalent to approximately HK\$23,353,000) for the Sale Loan.

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 63,131,313 new Shares.

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 (the “**Aggregate Amount**”) of (a) the results on the valuation (the “**Valuation**”) in respect of the fair value of the entire equity interest in the Target Company as at 31 March 2019 and (b) the Sale Loan; 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 preliminary valuation of the Target Group of approximately RMB45,503,500 (equivalent to approximately HK\$51,709,000) (including the Sale Loan of approximately RMB20,550,902 (equivalent to approximately HK\$23,353,000)) as at 31 March 2019.

The aforesaid preliminary valuation of the Target Group was prepared by an independent professional valuer engaged by the Company using the asset-based approach.

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 precedent

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

- (a) the 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 assets, liabilities (including the Sale Loan), conditions and value of the equity interest of the Target Group, 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 Company 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 an indirect wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Company's consolidated financial statements.

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 57.14% to the closing price of HK\$1.89 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a discount of approximately 58.46% to the average closing price of approximately HK\$1.95 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 Vendor, 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 preliminary valuation of the Target Group of approximately RMB45,503,500 (equivalent to approximately HK\$51,709,000) as at 31 March 2019.

The Consideration Shares represent: (i) approximately 2.20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.15% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

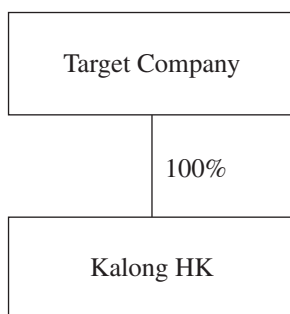
General Mandate

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.

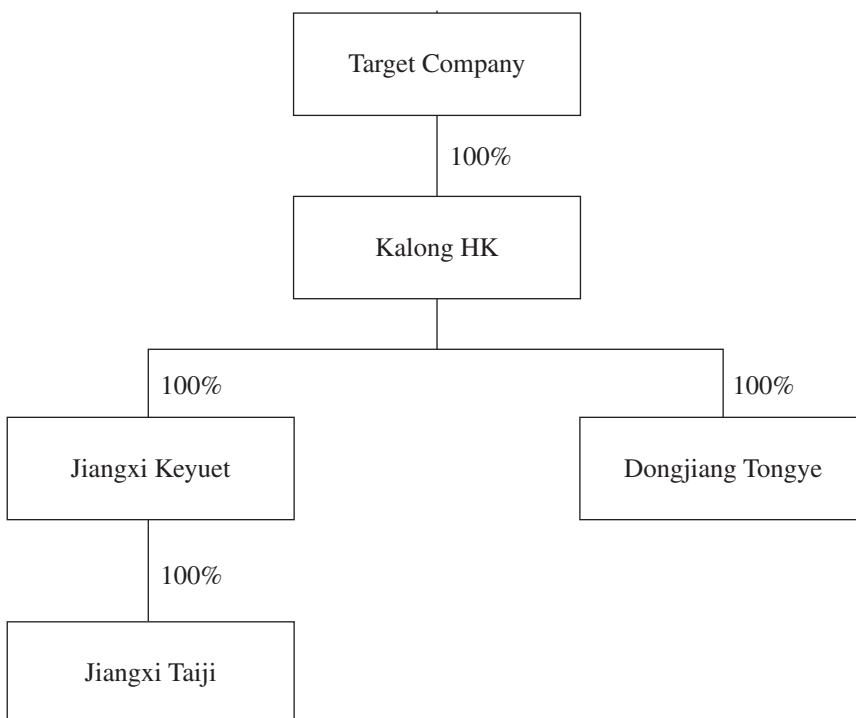
INFORMATION ON THE TARGET GROUP

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

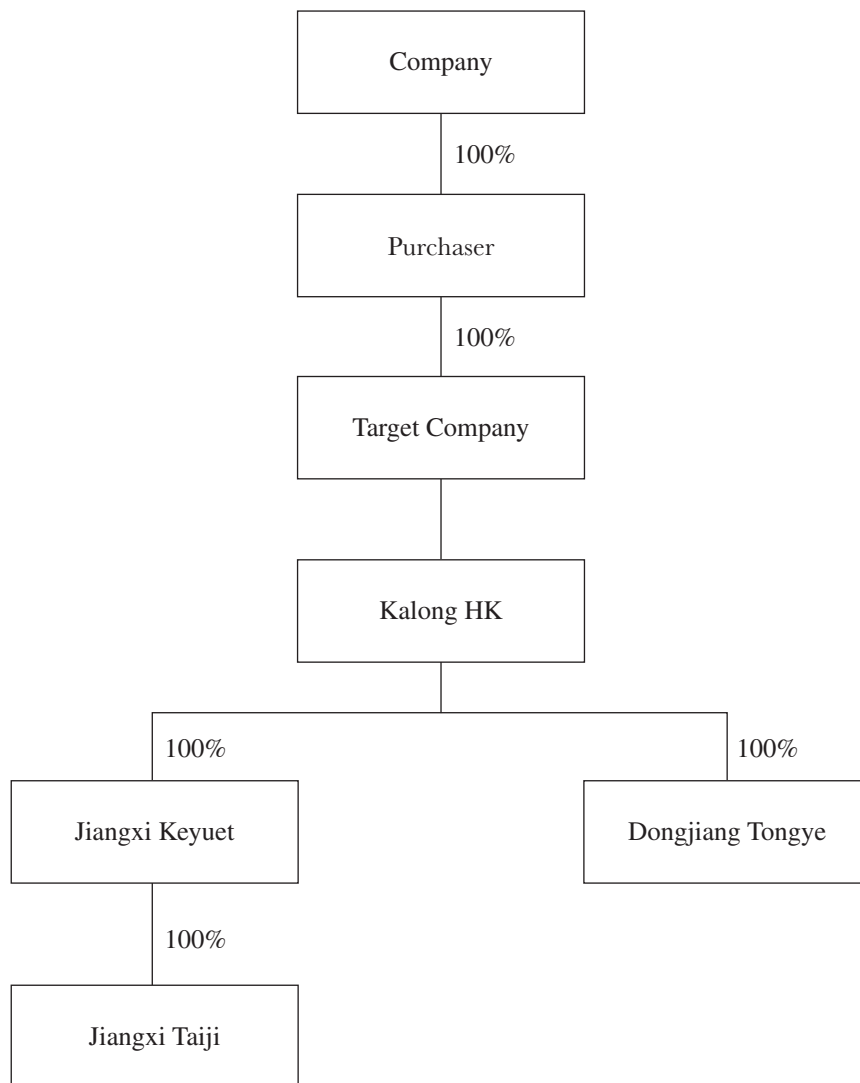
Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately after the Restructuring 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 the 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 equity interest of Kalong HK.

(ii) *Kalong HK*

Kalong HK is 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.

As at the date of this announcement, Kalong HK is principally engaged in investment holding. As advised by the Vendor, Kalong HK is undergoing the Restructuring by transferring the entire equity interest in Jiangxi Keyuet and Dongjiang Tongye to Kalong HK.

Upon completion of the Restructuring, the entire equity interest of Dongjiang Tongye and Jiangxi Keyuet will be owned by Kalong HK.

(iii) Dongjiang Tongye

Dongjiang Tongye is a company established in the PRC with limited liability and the entire equity interest is owned by Independent Third Parties as at the date of this announcement.

As at the date of this announcement, Dongjiang Tongye holds certain operating assets for the KALONG Project Group.

(iv) Jiangxi Keyuet

Jiangxi Keyuet is a company established in the PRC with limited liability and the entire equity interest is owned by Independent Third Parties as at the date of this announcement.

As at the date of this announcement, Jiangxi Keyuet is principally engaged in the manufacturing and sale of calcium carbonate and is holding the entire equity interest of Jiangxi Taiji.

(v) Jiangxi Taiji

Jiangxi Taiji is a company established in the PRC with limited liability and the entire equity interest is owned by Jiangxi Keyuet as at the date of this announcement. As at the date of this announcement, Jiangxi Taiji provides financing activities to the KALONG Project Group.

Financial information of the Target Group

As advised by the Vendor, each of the Target Company and Kalong HK is principally engaged in investment holding. No business was conducted by each of them since its incorporation and, at the date of this announcement, does not have any major assets.

Set out below are the combined unaudited financial information of the KALONG Project Group, as extracted from each of the unaudited financial statements of Jiangxi Keyuet, Dongjiang Tongye and Jiangxi Taiji for the years ended 31 December 2017 and 31 December 2018 and the period from 1 January 2019 to 31 March 2019:

	For the period from 1 January 2019 to 31 March 2019	For the year ended 31 December	
	<i>RMB'000</i>	2018	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	9,273	34,379	26,894
Profit before tax	856	4,036	1,272
Profit after tax	772	3,431	1,081

As at 31 March 2019, the unaudited total assets value and the net assets value of the KALONG Project Group was approximately RMB68,293,000 and RMB10,684,000 respectively.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,871,289,586 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (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; and (iii) immediately upon the allotment and issuance of the Consideration Shares and the Second Acquisition Consideration Shares 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 and the Second Acquisition Consideration Shares:

Shareholders	As at the date of this announcement		Immediately upon the allotment and issuance of the Consideration Shares but before the allotment and issuance of the Second Acquisition Consideration Shares		Immediately upon the allotment and issuance of Consideration Shares and the Second Acquisition Consideration Shares	
	Shares	Approximately	Shares	Approximately	Shares	Approximately
		%		%		%
Wu Jing (<i>Note</i>)	536,832,840	18.70	536,832,840	18.29	536,832,840	16.61
Shanghai Jihua Logistics Limited* (上海際華物流有限公司)	190,000,000	6.62	190,000,000	6.47	190,000,000	5.88
Second Acquisition Vendor	—	—	—	—	297,418,630	9.20
The Vendor	—	—	63,131,313	2.15	63,131,313	1.95
Other public Shareholders	2,144,456,746	74.68	2,144,456,746	73.09	2,144,456,746	66.36
Total	<u>2,871,289,586</u>	<u>100.00</u>	<u>2,934,420,899</u>	<u>100.00</u>	<u>3,231,839,529</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 Company intends to 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 potential acquisition of the Target Group, which is principal engaged in the manufacturing and sale of calcium carbonate which is mainly produced from marble residues, 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 stone application (i.e. production of calcium carbonate mainly used for industrial purposes).

In order to maximise return to the Company and the Shareholders in the long run, the Directors believe that the Acquisition, should it be materialized, 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 and acceptance of the assignment of the Sale Loan by the Purchaser from the Vendor pursuant to the Agreement
“Aggregate Amount”	the aggregate amount of (a) the valuation results in respect of the fair value of the entire equity interest in the Target Company as at 31 March 2019 and (b) the Sale Loan
“Agreement”	the conditional sale and purchase agreement dated 2 July 2019 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

“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”	RMB45,000,000 (equivalent to approximately HK\$51,136,000), being the total consideration for the Acquisition
“Consideration Share(s)”	the 63,131,313 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
“Dongjiang Tongye”	Yongfeng Dongjiang Tongye Company Limited* (永豐縣東江銅業有限公司), a company established in the PRC with limited liability and is owned by Independent Third Parties as at the date of this announcement
“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
“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

“Jiangxi Keyuet”	Jiangxi Keyuet Technologies Company Limited* (江西科越科技有限公司), a company established in the PRC with limited liability and is owned by Independent Third Parties as at the date of this announcement
“Jiangxi Taiji”	Jiangxi Taiji Xietong Creative New Materials Company Limited* (江西太極協同創新新材料有限公司), a company established in the PRC with limited liability and is owned by Jiangxi Keyuet as at the date of this announcement
“Kalong HK”	Kalong 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
“KALONG Project Group”	collectively Jiangxi Keyuet, Dongjiang Tongye and Jiangxi Taiji
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 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
“Restructuring”	the restructuring of transferring the entire equity interest in Jiangxi Keyuet and Dongjiang Tongye to Kalong HK
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	50,000 issued and fully paid up share of the Target Company, representing the entire issued share capital of Target Company, being beneficially owned by the Vendor

“Sale Loan”	unsecured interest-free loan provided by the Vendor to the Target Company and remains outstanding at Completion
“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)
“Second Acquisition”	the acquisition of the sale shares under the conditional sale and purchase agreement dated 13 June 2019, details of which are set out in the announcement of the Company dated 13 June 2019
“Second Acquisition Consideration Shares”	the shares to be allotted and issued upon completion of the Second Acquisition
“Second Acquisition Vendor”	Mr. Zhou Chengjiu* (周成九), being the vendor under the conditional sale and purchase agreement dated 13 June 2019 in relation to the Second Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Kalong 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, Kalong HK, Jiangxi Keyuet, Dongjiang Tongye and Jiangxi Taiji
“Valuation”	the valuation in respect of the fair value of the Target Group as at 31 March 2019
“Vendor”	Jiang Meiqin* (蔣美琴)
“%”	per cent

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

Hong Kong, 2 July 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.*

For the purpose of this announcement, the translation of RMB into HK\$ is based on the rate of RMB1:HK\$1.1364. The above conversion rates are for illustrative purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

As at the date of this announcement, the executive Directors are Mr. Gu Weiwēn, 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.