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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 DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE DISPOSAL

The Board hereby announces that on 21 June 2021 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser, entered into the Agreement pursuant to which the Purchaser has conditionally agreed to acquire the Sale Share from the Vendor and to accept the assignment of the Sale Loan from the Vendor at an aggregate consideration of RMB63,500,000.

LISTING RULE IMPLICATIONS

Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but falls below 25%, the Disposal 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 Chapter 14 of the Listing Rules.

Completion of the Disposal is subject to the fulfillment or waiver of the conditions precedent (as the case may be) set out in the Agreement and therefore may or may not proceed to Completion. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

THE DISPOSAL

The Board hereby announces that on 21 June 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, entered into the Agreement pursuant to which the Purchaser has conditionally agreed to acquire the Sale Share and to accept the assignment of the Sale Loan from the Vendor.

THE AGREEMENT

The principal terms of the Agreement are summarised as below:

Date: 21 June 2021

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed

As at the date of the Agreement, the Target Company is directly wholly-owned by the Vendor. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the Sale Share and to accept the assignment of the Sale Loan from the Vendor. The Sale Share represents the entire issued share capital of the Target Company and the Sale Loan represents all outstanding loan(s) owing by the Target Company to the Vendor as at the date of this announcement.

Consideration

Pursuant to the Agreement, the Consideration is RMB63,500,000, comprising of RMB47,762,617 for the Sale Share and RMB15,737,383 for the Sale Loan. The Consideration shall be settled in the following manner:

- (a) RMB5,000,000 (“**First Payment**”) in cash shall be deposited by the Purchaser to the Escrow Agent's account upon signing of the Agreement;
- (b) RMB18,000,000 (“**Second Payment**”) in cash shall be deposited by the Purchaser to the Escrow Agent's account within three business days upon the provision by the Vendor of the certified resolutions of the Board approving the Disposal and certain other documents as stipulated in the Agreement;
- (c) RMB40,000,000 (“**Third Payment**”) in cash shall be deposited by the Purchaser to the Escrow Agent's account within three business days upon the provision by the Vendor of the document proof of the release of equity pledge of the Target Company which shall be done within ten business days upon the Second Payment was paid;
- (d) the aggregate of the First Payment, Second Payment and Third Payment amounted to RMB63,000,000 held in escrow shall be released by the Escrow Agent within two business days to the Vendor upon the completion of the registration of transfer of Sale Share and the appointment of directors and other officers as designated by the Purchaser which shall be done within ten business days and the delivery of all the original copies as stipulated in the Agreement including but not limited to the certified resolutions of the Board; the Indemnity Contract; the deed of transfer of the Sale Loan and the documentary proof of release of pledge or charges where applicable; and

- (e) RMB500,000 in cash shall be paid by the Purchaser to the Vendor within two business days upon the fulfilment or waiver by the Purchaser of all the Condition precedents as set out in the paragraph headed “Conditions precedent” below and the satisfactory handover of the Property which shall be done within three business days.

Basis of the Consideration

The Consideration was arrived at after arm’s length negotiation between the Vendor and the Purchaser on normal commercial terms after taking into consideration, among others, the financial performance, the net assets value of the Target Company (including the property held by it) and the properties market conditions. The fair value of the Property as at 30 April 2021 was assessed to be approximately RMB63.9 million which was assessed by Dongtai Real Estate Land Appraisal Co., Ltd.*, an independent professionally qualified valuer.

After taking into account the above factors and the reasons and benefits of the Disposal as described under the paragraph headed “Reasons for and benefits of the Disposal” below, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions precedent

The Agreement shall be unconditional upon the following conditions being fulfilled and satisfied:

- (a) the Vendor is the sole legal and beneficial owner of the Sale Share and the Sale Loan and has good title to the Sale Share and Sale Loan free from encumbrances on Completion and the Purchaser has received the documentary proof of such release of pledge or charges where applicable;
- (b) the Target Company is the legal and beneficial owner of the Property free from encumbrances on Completion and the Purchaser has received the documentary proof of such release of pledge or charges where applicable;
- (c) the Purchaser having been satisfied with the results of the due diligence in relation to the information in all material respects provided by the Vendor on the Target Company;
- (d) the Deed of Transfer of the Sale Loan has been duly executed by which the Purchaser become the new creditor of the Target Company;
- (e) no event such as war, terrorist acts and similar incidents, fires, floods, earthquakes, and other similar natural disasters having occurred since the date hereof to the date of Completion which render the Property being severely damaged or no longer suitable for domicile purpose; and
- (f) the Company having entered into the Indemnity Contract and the Purchaser has received a copy of the resolution of the Board in relation to the Disposal.

The Purchaser may waive in writing the conditions precedent set out above at its absolute discretion.

Completion

The Completion shall take place after the conditions precedent to the Agreement having been fulfilled (or waived). Upon Completion, the Group will cease to hold any equity interest of the Target Company and the Purchaser will hold the entire equity interest of the Target Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the financial statements of the Company.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is incorporated in the British Virgin Island with limited liability and principally engaged in property holding. The principal asset of the Target Company is a luxury residential property with a gross floor area of approximately 446.52 square meters in conjunction with a carpark space situated in Shanghai, the PRC and held for the purpose of generating rental income. As at the date of the Agreement, the Target Company is an indirect wholly-owned subsidiary of the Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the audited financial information of the Target Company for the two financial years ended 31 December 2019 and 2020 and the unaudited financial information of the Target Company for the four months ended 30 April 2021:

	For the year ended		For the four
	31 December		months
	2019	2020	ended
	RMB'000	RMB'000	30 April
			2021
			RMB'000
			(unaudited)
Rental Income	—	288	96
Net profit (loss) before tax	(252)	(41)	81
Net profit (loss) after tax	(252)	(60)	63
Net liability	252	312	249

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Based on (i) the Consideration of RMB63.5 million; (ii) the unaudited consolidated net assets of the Target Company at consolidation level as at 30 April 2021 attributable to the Sale Share of approximately RMB53.6 million; and (iii) the Sale Loan of approximately RMB15.7 million as at 30 April 2021, the Group is expected to recognise a net loss of approximately RMB5.8 million upon Completion.

Shareholders should note that the above figures are for illustrative purpose only. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to the review and final audit by the auditors of the Company.

The Group intends to use the net proceeds from the Disposal for repayment of debts of the Group and general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company, the Group mainly engages in mining, processing, trading and sales of marble stones and trading of commodities. The Target Company is principally engaged in investment property holding and has been leasing the property for generating rental income which is not a core business of the Group. As mentioned in the Company's 2020 annual results announcement, the Group's overall business was also adversely affected by the pandemic. The Group has since then aligned its business strategy toward its core business after successfully renewed the mining license for its largest marble mine. The Directors considered that it is beneficial to the Group and its shareholders as a whole to monetise non-core assets in order to generate immediate liquidity and also help in lowering the Group's debt level and strengthening its financial position. The Directors also considered that the Disposal is an appropriate opportunity to realise certain its investment in the Target Company and that the Disposal would not have any material adverse impact on the business of the Group as a whole. The Board is of the view that the terms of the Agreement are fair and reasonable, and the Disposal is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but falls below 25%, the Disposal 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 Chapter 14 of the Listing Rules.

Completion of the Disposal is subject to the fulfillment or waiver of the conditions precedent (as the case may be) set out in the Agreement and therefore may or may not proceed to Completion. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 21 June 2021 entered into between the Purchaser and the Vendor in respect of the Disposal
“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 Disposal 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”	RMB63,500,000 being the consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan by the Vendor to the Purchaser pursuant to the Agreement
“Escrow Agent”	Deyou Real Estate Brokerage Co., Ltd.* 德佑房地產經紀有限公司, an indirect wholly-owned subsidiary of a company listed on the New York Stock Exchange, which is a renowned company engaged in real estate brokerage in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Indemnity Contract”	a contract entered into by the Company and the Purchaser pursuant to which the Company shall indemnify for a period of three years from the date of Completion for all contingent liabilities of the Target Company relating to the period prior to the date of Completion
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange
“Property”	a residential property with a gross floor area of approximately 446.52 square meters in conjunction with a carpark space situated in Shanghai, the PRC
“Purchaser”	Extraordinary Co., Ltd., a company incorporated in the British Virgin Islands with limited liability in which Ms. Wei Jiongjiong and Mr. Gao Chenwei are shareholders
“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 Loan”	unsecured interest-free loan provided by the Vendor to the Target Company and remains outstanding at Completion
“Sale Share”	the one issued share representing the entire issued share capital of the Target Company
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Genpex Investment 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

“Vendor” 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

“%” per cent.

* *For reference purposes only, the Chinese names of the PRC entities, addresses or terms have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of these PRC entities, addresses or terms and their respective English translations, the Chinese version shall prevail.*

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

Hong Kong, 21 June 2021

As at the date of this announcement, the executive Directors are Mr. Gu Weiwen, Mr. Zhang Jian, Ms. Wu Jing and Mr. Wan Jian; the non-executive Director is Mr. Gu Zengcai; and the independent non-executive Directors are Ms. Lung Yuet Kwan, Mr. Hui Yat On and Mr. Zhai Feiquan.