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**ART GROUP HOLDINGS LIMITED**

**錦藝集團控股有限公司**

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

**(Stock Code: 565)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
ACQUISITION OF EQUITY INTERESTS IN  
THE TARGET COMPANY**

The Board is pleased to announce that on 15 November 2021 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, in relation to the acquisition of 25% equity interests in the Target Company at the Consideration of RMB149,602,000 (equivalent to approximately HK\$182,441,000).

As at the date of this announcement, the Target Company is held as to 25% by the Vendor and 75% by the Purchaser, and therefore is an indirect non-wholly-owned subsidiary of the Company. Upon Completion, the Target Company will be wholly-owned by the Purchaser and become an indirect wholly-owned subsidiary of the Company.

**IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Vendor holds 25% in the Target Company, an indirect non-wholly-owned subsidiary of the Company, and is a connected person of the Company at the subsidiary level. The Acquisition thus constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Vendor is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 15 November 2021 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, in relation to the acquisition of 25% equity interests in the Target Company at the Consideration of RMB149,602,000 (equivalent to approximately HK\$182,441,000).

## **EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date: 15 November 2021 (after trading hours)

Parties: (1) the Vendor  
(2) the Purchaser

## **Assets to be acquired**

The Target Equity Interests

## **Consideration**

The Consideration to be received by the Vendor amounted to approximately RMB149,602,000 (equivalent to approximately HK\$182,441,000), which will be settled in cash.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the unaudited net asset value of the Target Company as at 30 September 2021 of approximately RMB598,408,000, prepared under the Hong Kong Accounting Standards.

Pursuant to the terms of the Equity Transfer Agreement, it is agreed by the parties that the Vendor, as a shareholder of the Target Company, is also entitled to 25% of the net profits of the Target Company for the period from 1 October 2021 to the Completion Date to be distributed by way of dividends by the Target Company.

The Consideration will be financed by proceeds received from the Disposal and/or internal resources of the Group.

## **Conditions**

Completion shall be conditional upon fulfillment of the following conditions (the "**Conditions**"):

1. the Stock Exchange having reviewed and confirmed the relevant announcement(s) and circular (if applicable) in relation to the Equity Transfer Agreement and the transactions contemplated thereunder as required by the Listing Rules, and the Company having published such announcement(s) and circular (if applicable);
2. the independent Shareholders approving the Equity Transfer Agreement and the transactions contemplated thereunder in an extraordinary general meeting to be convened by the Company (if applicable);

3. the Vendor and the Purchaser having obtained all the consents, approvals, filings or registrations (but not including the Industrial and Commerce Transfer Registration) necessary for them to complete the transactions contemplated under the Equity Transfer Agreement and all such consents, approvals, filings or registrations remaining complete and effective, and any such consents, approvals, filings or registrations not conflicting, altering or invalidating any terms of the Equity Transfer Agreement; and
4. no government department, regulatory bodies, court or other judicial authority having issued any order or made any decision to the effect that the Equity Transfer Agreement and/or the transactions contemplated thereunder is invalid, unenforceable or illegal.

None of the Conditions are waivable.

Within 10 business days after the fulfilment of the Conditions, the Vendor and the Purchaser will attend to the Industrial and Commerce Transfer Registration with the relevant industrial and commercial administration bureau in the PRC.

Each of the Vendor and the Purchaser has undertaken, and procure to fulfill the Conditions on the best effort basis on or before the Long Stop Date (i.e. 31 March 2022 or such other date as agreed by the Vendor and the Purchaser). If (i) the Conditions are not fulfilled on or before the Long Stop Date; or (ii) the Industrial and Commerce Transfer Registration is not completed within 60 days (or such other days as the parties agree) after the fulfilment of the Conditions, the Equity Transfer Agreement will be automatically terminated and become invalid. Upon termination of the Equity Transfer Agreement, both parties will have no rights and obligations under the Equity Transfer Agreement, save for any rights on breaches which occurred before the termination and the refund by the Vendor of all of the Deposit (as defined below)/Consideration received from the Purchaser.

## **Payment of the Consideration**

The Consideration will be paid in the following manner:

1. RMB44,881,000 (equivalent to approximately HK\$54,733,000), being 30% of the Consideration, will be paid within five business days after the signing of the Equity Transfer Agreement as deposit (the “**Deposit**”);
2. upon the fulfillment of all the Conditions, the Deposit shall be automatically applied to settle 30% of the Consideration; and
3. the remaining Consideration shall be paid within 10 business days after receipt of the official receipt acknowledgement of the application for the Industrial and Commerce Transfer Registration.

If the Equity Transfer Agreement is terminated due to the Industrial and Commerce Transfer Registration not being completed, without prejudice to the Purchaser’s rights to other remedies, the Vendor will within 10 business days refund to the Purchaser all of the Deposit/ Consideration received. Upon failure to refund, the Vendor (as the case may be) shall pay to the Purchaser damages at the rate of 0.05% per day on the relevant outstanding amount.

If the Purchaser fails to pay the Consideration as set out above, without prejudice to the Vendor’s rights to other remedies, the Purchaser shall pay to the Vendor damages at the rate of 0.05% per day on the unpaid Consideration.

## **Completion**

Completion will take place on the date when the Industrial and Commerce Transfer Registration is completed.

As at the date of this announcement, the Target Company is held as to 25% by the Vendor and 75% by the Purchaser, and therefore is an indirect non-wholly-owned subsidiary of the Company. Upon Completion, the Target Company will be wholly-owned by the Purchaser and become an indirect wholly-owned subsidiary of the Company. Immediately prior to Completion, the financial results of the Target Company have been accounted for and consolidated into the consolidated financial statements of the Company as a subsidiary. The financial results of the Target Company will continue to be consolidated into the consolidated financial statements of the Company as a subsidiary after Completion.

## INFORMATION OF THE PARTIES

### The Group, the Purchaser and the Target Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its subsidiaries are principally engaged in property operating business and biotechnology business.

The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Target Company is a company established in the PRC with limited liability on 11 December 2020 and is owned as to 75% by the Purchaser and 25% by the Vendor prior to Completion. The Target Company is principally engaged in property operating business and is the lessee of the leases of the Jiachao's Shopping Mall and the Zone C Shopping Mall.

Set out below are certain audited financial information of the Target Company since its date of establishment to 30 June 2021:

	<b>From date of establishment to 30 June 2021 RMB'000</b>
Profit before tax	762,241 <i>(Note)</i>
Profit after tax	571,960

*Note:* A majority of the profit before tax for the relevant period was as a result of the initial recognition of fair value of leased shopping malls, namely the Jiachao's Shopping Mall and the Zone C Shopping Mall, in accordance with the Hong Kong Accounting Standards.

The unaudited net asset value of the Target Company as at 30 September 2021 was approximately RMB598,408,000.

## **The Vendor**

The Vendor is a company established in the PRC with limited liability. Its entire equity interests are held by Zhengzhou Weisheng Investment Co., Ltd.\* (鄭州偉盛投資有限公司) (“**Zhengzhou Weisheng**”). The equity interests of Zhengzhou Weisheng are held as to 80% by Chen Wei and 20% by Wu Meilin, who are third parties independent of the Company and its connected persons. The Vendor is principally engaged in property investment.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Company currently is indirectly non-wholly-owned by the Company as to 75% and the remaining 25% interests are held by the Vendor. The Group and the Vendor has established a business relationship for property investment and property operating business through equity investments in Zhengzhou Jiachao since 2015 whereby the Group owned 75% and the Vendor owned 25%. The Target Company was a company established by the Group and the Vendor to principally engage in property operating business in 2020 following the same shareholding structure as that in Zhengzhou Jiachao.

To the best knowledge of the Directors, the Vendor plans to realise certain of its investments including, among others, the Target Equity Interests. Pursuant to the PRC company law, the Vendor first offered to the Group to purchase the Target Equity Interests. Since the Target Company holds an important role as the principal operating subsidiary of the Company, the Directors are of the view that the Acquisition will (i) eliminate the uncertainty of having to potentially co-operate with a new business partner in place of the Vendor whose goals and objectives may diverge; (ii) further consolidate the Company’s shareholding position with the Target Company, thereby increasing the flexibility and efficiency in the management, decision-making and long-term strategy formulation of the Target Company without having to obtain consents from or informing the other business partner; and (iii) enhance the Company’s consolidated net profit attributable to the Shareholders and the consolidated net asset value attributable to the Shareholders by eliminating the relevant non-controlling interest, all of which would ultimately benefit the Group.

The terms of the Equity Transfer Agreement were determined after arm’s length negotiation between the parties thereto based on normal commercial terms. The Directors are of the view that terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Vendor holds 25% in the Target Company, an indirect non-wholly-owned subsidiary of the Company, and is a connected person of the Company at the subsidiary level. The Acquisition thus constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Vendor is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Since no Directors has a material interest in the Acquisition, none of the Directors has abstained from voting on the resolutions in relation to the Equity Transfer Agreement and the transactions contemplated thereunder proposed at the Board meeting.

## **DEFINITIONS**

In this announcement, unless the contents otherwise require, the following expressions have the following meaning:

“Acquisition”	the acquisition of the Target Equity Interests pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“business day(s)”	a day (other than Sunday, Saturday and public holiday) on which commercial banks are generally open for business in Hong Kong and the PRC



“Company”	Art Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Stock Exchange
“Completion”	completion of the Industrial and Commerce Transfer Registration
“Completion Date”	the date of Completion
“Conditions”	has the meaning ascribed to it under the paragraph headed “Conditions” of this announcement
“connected person(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Consideration”	the total consideration in the amount of RMB149,602,000 (equivalent to approximately HK\$182,441,000) in relation to the Acquisition
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 75% equity interests in Zhengzhou Jiachao, details of which are set out in the Company’s circular dated 28 May 2021
“Equity Transfer Agreement”	the equity interests transfer agreement dated 15 November 2021 and entered into between the Vendor and the Purchaser in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Industrial and Commerce Transfer Registration”	the registration to be carried out with the relevant industrial and commerce bureau in the PRC in relation to the Equity Transfer Agreement

“Jiachao’s Shopping Mall”	a shopping mall situated at No. 36 Mianfang West Road, Zhongyuan District, Zhengzhou City, Henan Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2022 (or such other date as agreed by the Vendor and the Purchaser)
“PRC”	the People’s Republic of China
“Purchaser”	Zhengzhou Changdun Asset Management Co., Ltd.* (鄭州昌盾資產管理有限公司), the Company’s indirect wholly-owned subsidiary
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.* (鄭州中原錦藝商業運營管理有限公司), an indirect non-wholly-owned subsidiary of the Company and is the current lessee of the Jiachao’s Shopping Mall and the Zone C Shopping Mall
“Target Equity Interests”	the 25% equity interests in the Target Company
“Vendor”	Henan Diyi Textile Co., Ltd.* (河南第一紡織有限公司), a company established in the PRC
“Zhengzhou Jiachao”	Zhengzhou Jiachao Property Services Co., Ltd.* (鄭州佳潮物業服務有限公司), a company established in the PRC with limited liability

“Zone C Shopping Mall”	a shopping mall situated at No. 40 Mianfang West Road, Zhongyuan District, Zhengzhou City, Henan Province, the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board  
**ART GROUP HOLDINGS LIMITED**  
**Chen Jinyan**  
*Chairman*

*\* For identification purpose only*

*For the purpose of illustration only and unless otherwise stated, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of HK\$1.00 = RMB0.82. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.*

Hong Kong, 15 November 2021

*As at the date of this announcement, the executive Directors are Mr. Chen Jinyan and Mr. Chen Jindong; and the independent non-executive Directors are Mr. Kwan Chi Fai, Mr. Lin Ye, Ms. Chong Sze Pui Joanne and Ms. Wang Yuqin.*