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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)

2022 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Art Group Holdings Limited (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2022 together with the comparative figures in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	NOTES	**2022** ***HK$'000***	2021 *HK$'000* (Re-presented)
Continuing operations			
Revenue	*4*	**184,601**	188,634
Cost of sales		**(37,311)**	(82,286)
Gross profit		**147,290**	106,348
Other income and other gain and loss	*5*	**33,156**	30,150
Administrative expenses		**(23,617)**	(31,564)
Impairment loss on loan receivable		**(51,551)**	(460)
Loss on fair value changes of investment properties		**(162,651)**	(260,550)
Loss on disposal of a subsidiary		**–**	(30,602)
Finance costs	*6*	**(47,711)**	(65,877)

	NOTES	2022 HK$'000	2021 HK$'000 (Re-presented)
Loss before taxation		**(105,084)**	(252,555)
Income tax credit	7	**27,401**	56,180
Loss for the year from continuing operations	8	**(77,683)**	(196,375)
Discontinued operation			
Loss for the year from discontinued operation		**(10,476)**	(31,517)
Loss for the year		**(88,159)**	(227,892)
Other comprehensive (expense)/income:			
Item that will not be reclassified to profit or loss			
Exchange differences on translation from functional currency to presentation currency		**(28,968)**	163,826
Other comprehensive (expense)/income for the year		**(28,968)**	163,826
Total comprehensive expense for the year		**(117,127)**	(64,066)
Loss for the year attributable to owners of the Company:			
– From continuing operations		**(86,409)**	(158,831)
– From discontinued operation		**(10,263)**	(19,488)
Loss for the year attributable to owners of the Company		**(96,672)**	(178,319)
Profit/(loss) for the year attributable to non-controlling interests:			
– From continuing operations		**8,726**	(37,544)
– From discontinued operation		**(213)**	(12,029)
Profit/(loss) for the year attributable to non-controlling interests		**8,513**	(49,573)
		(88,159)	(227,892)

	NOTES	2022 HK$'000	2021 HK$'000 (Re-presented)
Total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		**(127,796)**	(47,206)
– Non-controlling interests		**10,669**	(16,860)
		(117,127)	(64,066)
Total comprehensive expense for the year attributable to owners of the Company:			
– From continuing operations		**(117,154)**	(34,271)
– From discontinued operation		**(10,642)**	(12,935)
		(127,796)	(47,206)
LOSS PER SHARE	*10*		
From continuing and discontinued operations			
Basic *(HK cents)*		**(3.60)**	(6.63)
Diluted *(HK cents)*		**(3.60)**	(6.63)
From continuing operations			
Basic *(HK cents)*		**(3.21)**	(5.91)
Diluted *(HK cents)*		**(3.21)**	(5.91)
From discontinuing operation			
Basic *(HK cents)*		**(0.38)**	(0.72)
Diluted *(HK cents)*		**(0.38)**	(0.72)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		2022	2021
	NOTES	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,786**	11
Right-of-use assets		**5,336**	298
Investment properties		**1,843,529**	2,050,602
Rental deposits		**186,623**	185,540
		2,039,274	2,236,451
CURRENT ASSETS			
Trade and other receivables	*11*	**22,949**	296,331
Loan receivable		**213,709**	304,694
Bank balances and cash		**21,526**	16,693
		258,184	617,718
CURRENT LIABILITIES			
Other payables	*12*	**43,656**	35,126
Contract liabilities		**9,881**	20,651
Lease liabilities		**88,808**	22,270
Amount due to a substantial shareholder		**47,496**	47,888
Bonds		**15,341**	24,349
Tax liabilities		**2,621**	5,600
		207,803	155,884
NET CURRENT ASSETS		**50,381**	461,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,089,655**	2,698,285

	2022	2021
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**26,888**	26,888
Reserves	**985,536**	1,327,663
Equity attributable to owners of the Company	**1,012,424**	1,354,551
Non-controlling interests	**–**	160,207
TOTAL EQUITY	**1,012,424**	1,514,758
NON-CURRENT LIABILITIES		
Lease liabilities	**887,292**	948,620
Deferred tax liabilities	**179,936**	224,904
Bonds	**10,003**	10,003
	1,077,231	1,183,527
	2,089,655	2,698,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Its immediate and ultimate holding company is Fully Chain Limited, a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Chen Jinyan who is also the director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in HK$ for the convenience of the shareholders because the Company's shares are listed in the Hong Kong Stock Exchange.

The Company is an investment holding company. Its subsidiaries are engaged in property operating.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) the lease payments received and receivable in the normal course of business, net of related taxes for the year and (ii) property management and related services fee received and receivable.

	2022	2021
	HK$'000	*HK$'000*
Continuing operations		
Revenue from major business services:		
Revenue within the scope of HKFRS 16		
Rental income from leasing of properties	**74,516**	77,014
Revenue from contracts with customers within the scope of HKFRS 15		
Property management fee income	**107,556**	109,501
Property management – other related services	**2,529**	2,119
	110,085	111,620
	184,601	188,634

Disaggregated by timing of revenue recognition:

	2022	2021
Over time:		
Property management fee income	**107,556**	109,501
Property management – other related services	**2,529**	2,119
	110,085	111,620

Performance obligations for revenue from contracts with customers

Property management fee

Property management fee is recognised over the service period. The Group receives monthly property management fee payments from customers one to three months in advance under the contracts. Advance consideration allocated to the properties management services is recognised as a contract liability and is released over the period of services.

Segment information

Information reported to the Board, being the chief operating decision maker (the "CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For the year ended 30 June 2021, the management of the Company has determined that the Group has two operating segments as the Group is engaged in the property operating and biotechnology businesses, which is the basis used by the CODM. From a product perspective, the management assesses the performance from property operating and biotechnology segments.

During the year ended 20 June 2022, the biotechnology segment was discontinued due to the disposal of relevant subsidiaries.

Subsequent to the discontinuation of the biotechnology segment, there is only one single reportable segment for the Group, which is the property operating segment operated in People's Republic of China (the "PRC"). Prior year segment disclosures have been re-presented to confirm with the current year's presentation. The segment information reported does not include any amounts for this discontinued operation.

Segment results represent the profit or loss from the segment without allocation of income tax credit, loan interest income, loss on disposal of a subsidiary, impairment loss on loan receivable, modification loss on loan receivable and unallocated administrative expenses.

One single tenant from property operating segment contributed to 10 per cent or more of the Group's revenue for the year ended 30 June 2022 (2021: One). The total amount of revenue from this tenant was HK$33,531,000 (2021: HK$33,019,000).

The CODM assesses the performance of the property operating segment based on sales and net profit.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended 30 June 2022 **Continuing operations**	**Property operating** ***HK$'000***
Revenue	**184,601**
Segment result	**(53,220)**
Income tax credit	**27,401**
Loan interest income	**20,923**
Impairment loss on loan receivable	**(51,551)**
Modification loss on loan receivable	**(6,812)**
Unallocated administrative expenses	**(14,424)**
Loss for the year from continuing operations	**(77,683)**

	Property operating *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss			
Interest income	**29**	**543**	**572**
Interest expenses	**(45,542)**	**(2,169)**	**(47,711)**
Loss on fair value changes of investment properties	**(162,651)**	**–**	**(162,651)**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss			
Depreciation of property, plant and equipment	**(111)**	**(4)**	**(115)**
Depreciation of right-of-use assets	**(103)**	**(1,037)**	**(1,140)**
Additions to non-current assets	**8,287**	**1,971**	**10,258**

For the year ended 30 June 2021 (re-presented)
Continuing operations

	Property operating *HK$'000*
Revenue	188,634
Segment result	(206,358)
Income tax credit	56,180
Loan interest income	3,868
Loss on disposal of a subsidiary	(30,602)
Impairment loss on loan receivable	(460)
Unallocated administrative expenses	(19,003)
Loss for the year from continuing operations	(196,375)

	Property operating *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss			
Interest income	3,549	–	3,549
Interest expenses	(63,092)	(2,785)	(65,877)
Loss on fair value changes of investment properties	(260,550)	–	(260,550)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss			
Depreciation of property, plant and equipment	(2,268)	(8)	(2,276)
Depreciation of right-of-use assets	–	(1,193)	(1,193)

5. OTHER INCOME AND OTHER GAIN AND LOSS

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Bank interest income	**572**	3,549
Car parking income	**6,653**	8,526
Service income	**4,709**	10,248
Exchange gain	**1,187**	–
Government grant *(Note)*	**176**	1,798
Loan interest income	**20,923**	3,868
Rental deposits interest income	**5,580**	207
Others	**168**	1,954
Modification loss of loan receivable	**(6,812)**	–
	33,156	30,150

Note: During the year ended 30 June 2022, the Group recognised COVID-19-related government grants approximately HK$104,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region (the "Hong Kong government") under the Anti-Epidemic Fund and the remaining balance of grant approximately HK$72,000 is provided by the PRC government in relation to the flood occurred across Zhengzhou. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

During the year ended 30 June 2021, the Group recognised COVID-19-related government grants approximately HK$339,000 related to Employment Support Scheme provided by the Hong Kong government under the Anti-Epidemic Fund and the remaining balance of grant is provided by the PRC government as employment securing subsidy. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

6. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Interest on		
– Secured bank borrowings	**–**	61,818
– Bonds	**2,080**	2,756
– Lease liabilities	**45,631**	1,303
	47,711	65,877

7. INCOME TAX CREDIT

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Income tax recognised in profit and loss		
PRC Enterprise Income Tax ("EIT")		
– Current income tax	**16,478**	8,957
– Overprovision in prior year	**(3,216)**	–
Deferred tax	**(40,663)**	(65,137)
	(27,401)	(56,180)

Hong Kong Profits Tax was calculated at 16.5% (2021: 16.5%) of the estimated assessable profit for the financial year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for both years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% (2021: 25%).

As at 30 June 2022 and 2021, no deferred tax liabilities were recognised in respect of the undistributed retained earnings of the PRC subsidiaries attributable to the Group under the EIT Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

8. LOSS FOR THE YEAR

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Loss for the year from continuing operations has been arrived at after charging/(crediting):		
Staff costs		
– directors' emoluments	**3,961**	4,008
– other staff's salaries and other benefits	**16,378**	16,890
– other staff's retirement benefit scheme contributions	**2,240**	1,355
	22,579	22,253
Auditor's remuneration	**1,300**	1,200
Depreciation of property, plant and equipment	**115**	2,276
Depreciation of right-of-use assets	**1,140**	1,193
Loss on disposal of property, plant and equipment	**–**	65
Expenses related to short-term leases in respect of rented premises	**–**	29,306
Exchange (gain)/loss, net	**(1,187)**	1,302

9. DIVIDEND

	2022	2021
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Special dividend – HK$0.08 per share	**215,104**	–

The Board does not recommend any final dividend for the year ended 30 June 2022 (2021: Nil).

10. LOSS PER SHARE

From continuing operations

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(86,409)**	(158,831)

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,688,805**	2,688,805

The computation of diluted loss per share does not assume the exercise of the Company's outstanding options since their assumed exercise would result in a decrease in loss per share for both years.

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic and diluted loss per share	**(96,672)**	(178,319)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.38 cents per share (2021: HK0.72 cents per share), based on the loss for the year from the discontinued operation attributable to the owners of the Company of approximately HK$10,263,000 (2021: HK$19,488,000) and the denominators detailed above for both basic and diluted loss per share.

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**11,036**	3,972
Prepayment	**1,185**	6,165
Other receivables	**10,728**	27,435
Consideration receivable *(Note)*	**–**	258,759
	22,949	296,331

Note: The consideration receivable represented the consideration of the disposal of Zhengzhou Jiachao Property Services Co., Ltd.* ("Zhengzhou Jiachao"), an indirect 75%-owned subsidiary of the Company on 22 June 2021. The consideration receivable was fully received during the year ended 30 June 2022.

As at 30 June 2022 and 2021, all trade receivables of the Group were in the functional currency of the relevant group entities.

The following is an aged analysis of trade receivables presented based on the date of rendering of services:

	2022	2021
	HK$'000	*HK$'000*
0 – 60 days	**7,196**	3,305
61 – 90 days	**1,449**	667
Over 90 days	**2,391**	–
Trade receivables	**11,036**	3,972

* *For identification only*

12. OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Receipts in advance	**11,339**	12,273
Deposits received from tenants	**27,488**	14,503
Accrued charges and other payables	**4,814**	8,350
Dividend payable	**15**	–
	43,656	35,126

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

The Group is principally engaged in property operating business through holding all equity interests in 鄭州中原錦藝商業運營管理有限公司 (Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.) ("Zhongyuan Jinyi") in the PRC; of which, the principal activity of Zhongyuan Jinyi is property operating business. During the current year, the Company acquired 25% equity interests of Zhongyuan Jinyi by an indirect wholly-owned subsidiary. After completion, Zhongyuan Jinyi becomes an indirect wholly-owned subsidiary of the Company. Please refer to the announcement dated 15 November 2021 for details.

Zhongyuan Jinyi leased the Jiachao's Shopping Mall with a rental period to expire in the mid of 2036, comprises the whole of a 4-storey shopping mall built over one level of basement commercial space with a gross floor area of approximately 125,188 square meters, situated in Zhengzhou City, Henan Province, the PRC. The Group generates revenue from the monthly incomes of rental, management and operating services payable by more than 134 independent tenants under the respective tenancy agreements with a remaining term ranging from one year to 12 years. The Jiachao's Shopping Mall is a one-stop shopping paradise that offers a wide range of services and goods including shopping, dining and entertainment, such as a renowned department store, a cinema, a supermarket, KTV (a karaoke box), jewelries, beauty shops, electrical appliances shops, international labels for fashion, fitness, lifestyle, casual wear/sport, kid's paradise and restaurants. Approximately 94.9% of the lettable area in the Jiachao's Shopping Mall was rented out as at 30 June 2022. Certain area of the Jiachao's Shopping Mall is rented to tenants on short-term leases for use including kiosks and booths of trendy and stylish items.

In addition, Zhongyuan Jinyi leased the Zone C Shopping Mall, a 5-storey integrated commercial mall built over one level of basement commercial space with a gross floor area of approximately 80,118 square meters, situated in Zhengzhou City, from a real estate developer with a rental period to expire in the mid of 2036. The Zone C Shopping Mall is a shopping mall located adjacent to the Jiachao's Shopping Mall. Zhongyuan Jinyi promoted and further rented out the Zone C Shopping Mall to various independent tenants under the respective tenancy agreements with a remaining term ranging from one year to nine years. As at 30 June 2022, approximately 92.7% of the lettable area of the Zone C Shopping Mall had been leased out as retail shops, restaurants and/or for entertainment and leisure use which offers a wide range of services and goods with approximately 112 tenants including a cinema, an aquarium, jewelries, beauty shops, car sales, international labels for fashion, fitness, lifestyle, casual wear/sport, kid's paradise and restaurants. Certain area of the Zone C Shopping Mall is rented to tenants on short-term leases for use including kiosks and booths of trendy and stylish items.

Zhongyuan Jinyi has an advantage of having an existing team of caliber and experienced management and staff to run the two shopping malls together. As such, the extra costs for running the shopping malls is minimal to Zhongyuan Jinyi while it is earning considerable amount of incomes from renting out shopping malls to tenants. The Board believes that the larger the area for shopping, the more the number of similar types of shops opened, which may in turn attract more customers by offering them a large diversity of and well-known brand choices. The management of both the Jiachao's Shopping Mall and the Zone C Shopping Mall by Zhongyuan Jinyi will bring positive benefits and synergy effects on the customer flow and the tenant grade to the Group, which eventually contributes to revenue and profit margin of the property operating business of the Group.

During the year ended 30 June 2022, the Group disposed of biotechnology segment in Honghezhou, Yunnan Province, the PRC; of which, the Company held 60% equity interests in this segment. As no production approval license of CBD was granted from the PRC regulatory body, the commercial production had not yet been commenced since its set-up in 2019; consequently, the Board determined to discontinue the operation of this segment in order to stop incurring further costs.

On 28 April 2021, an indirect wholly-owned PRC subsidiary of the Company entered into a loan agreement with 福建千城綠景觀工程有限公司 (Fujian Qiancheng Lujingguan Engineering Co., Ltd.), an independent third party, (the "Borrower") pursuant to which, it was agreed to lend to the Borrower a loan in the principal amount of RMB250,000,000 (equivalent to approximately HK$294,118,000) for a term of 12 months from the drawdown date at an interest of 7.5% per annum. During the year ended 30 June 2022, the principal amount was revised to RMB210,000,000 (equivalent to approximately HK$247,059,000), as well as the interest of 4.785% per annum. The Group will focus its resources on property operating business and has no intention to commence money lending business. The Borrower approached the Group and looked for a source of financing. The entering into of the aforesaid loan agreement is due to (i) the surplus cash position of the Group; (ii) the interest income to be received by the Group; and (iii) the credit and repayment ability of the Borrower and its guarantor. Please also refer to the announcements of the Company dated 28 April 2021, 13 May 2021, 19 November 2021, 27 May 2022 and 29 June 2022, as well as the circular of the Company dated 12 August 2022 for details.

The COVID-19 pandemic spreads across the globe starting from the beginning of 2020, since then, the situation around the world continues to change rapidly. The Board agrees that the Group's business has been impacted by the current public health situation to certain extent. Moreover, the Group had supported approximately 15 tenants and 260 tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall who were affected by serious flood and the pandemic, respectively, by reducing their rental, management and operating service charges on different bases throughout the current year with an aggregated amount of approximately HK$8,087,000 (2021: HK$697,000). The Group sees cost reduction as a key strategic focus to help navigate business uncertainty resulting from the prolonged global COVID-19 pandemic and natural disaster. The Group also focuses on protecting and advancing the interests of tenants and customers in these difficult times, whilst prioritising the safety and well-being of its employees and business partners.

Continuing Operations

Revenue

For the financial year ended 30 June 2022, the Group recorded a revenue of approximately HK$184,601,000 (2021: HK$188,634,000), approximately 2.1% less than that in 2021. Revenue of the Group included the monthly income of rental, management and operating services received and receivable from the tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall. Decrease in revenue during the current year was due to a reduction of rental, management and operating service charges granted to 275 tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall who were affected by serious flood and the pandemic (2021: 2 tenants) on different bases with an aggregated amount of approximately HK$8,087,000 (2021: HK$697,000).

Gross Profit

The gross profit margin was approximately 79.8% for the year ended 30 June 2022 (2021: 56.4%). Property operating segment has simple costs of sales due to its business nature, such as water, electricity and heat supply charges, rent, salary and wages, marketing and promotion expenses, public security and hygiene expenses, repair and maintenance fees etc. incurred for operating the shopping malls. A significant increase in gross profit margin was mainly due to the short-term lease in respect of the Zone C Shopping Mall recorded in cost of sales during the year ended 30 June 2021 but after signing the 15-year lease in June 2021, relevant cost was classified as interest on lease liabilities in finance costs in accordance with HKFRS 16 Leases during the year ended 30 June 2022.

Loss for the Year

The Group's loss incurred for the year ended 30 June 2022 was approximately HK$77,683,000 (2021: HK$196,375,000). The loss margin was 42.1% for the current year (2021: 104.1%). Both decreased significantly for the year ended 30 June 2022 mainly because of a substantial decrease in fair value of the Group's investment properties, the Jiachao's Shopping Mall and the Zone C Shopping Mall, of approximately HK$162,651,000 (2021: HK$260,550,000) as a consequence of the prolonged COVID-19 pandemic.

Other Income and Other Gain and Loss

Other income and other gain and loss for the year ended 30 June 2022 was approximately HK$33,156,000 (2021: HK$30,150,000), which comprised other kinds of incomes generated from property operating segment, such as car parking fees and other services provided to tenants. Increase in other income and other gain and loss was mainly due to interest income earned from loan receivables during the year ended 30 June 2022.

Expenses

Administrative expenses amounted to approximately HK$23,617,000 (2021: HK$31,564,000), representing approximately 12.8% (2021: 16.7%) of revenue for the year ended 30 June 2022. Administrative expenses decreased by approximately 25.2% because fewer expenses related to the ownership of the Jiachao's Shopping Mall, such as salaries and insurance charges etc., were incurred during the year ended 30 June 2022 after its disposal in June 2021.

Impairment loss on loan receivable amounted to approximately HK$51,551,000 (2021: HK$460,000), representing approximately 27.9% (2021: 0.2%) of revenue for the year ended 30 June 2022. The material increase was because the loan had been extended one more year after its initial maturity date on 27 April 2022, which in turn increased its credit risk in certain extent.

The carrying value of the Group's investment properties, the Jiachao's Shopping Mall and the Zone C Shopping Mall, as at 30 June 2022 of approximately HK$1,843,529,000 (2021: HK$2,050,602,000) was stated at fair value based on an independent valuation as at that date, which produced a loss on fair value changes of investment properties of approximately HK$162,651,000 (2021: HK$260,550,000). This loss on fair value changes of investment properties mainly reflected a less flourishing rental growth of the investment properties. The attributable net loss on fair value changes on investment properties of approximately HK$121,988,000 (2021: HK$146,559,000), after deducting related deferred tax liabilities and non-controlling interest (only applicable as at 30 June 2021), was debited to the consolidated income statement. Decrease in the carrying value was due to the ongoing COVID-19 pandemic spreading across the globe since the beginning of 2020, causing the carrying value of the investment properties continue to drop.

Finance costs amounted to approximately HK$47,711,000 (2021: HK$65,877,000), representing approximately 25.8% (2021: 34.9%) of revenue for the year ended 30 June 2022. The decrease was due to two bank borrowings with aggregated principal amount of RMB800 million of a subsidiary disposed of in June 2021 that charged at higher interest rate by the bank throughout the year ended 30 June 2021.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 30 June 2022 (2021: Nil).

The Board declared and paid a special dividend of HK$0.08 per share during the year ended 30 June 2022 to the shareholders of the Company (2021: Nil).

Discontinued Operation

Loss for the Year

Loss for the year ended 30 June 2022 from discontinued operation was approximately HK$10,476,000 (2021: HK$31,517,000). There was no revenue generated from biotechnology segment for the years ended 30 June 2021 and 2022 because no CBD production approval license was granted from the PRC regulatory body and thus the commercial production had not yet been commenced. The decrease by approximately 66.8% was due to no biotechnology operation executed during the current year.

FUTURE PLANS AND PROSPECTS

In view of achieving the best interests of the Company and its shareholders as a whole, the Group has been putting effort in enlarging its operations of property operating business. Substantial resources have been placed into property operating business to explore future prospects and develop relevant markets. Thus, the Group acquired 25% equity interests in Zhongyuan Jinyi during the year ended 30 June 2022 so as to increase the flexibility and efficiency in the management, decision-making and long-term strategy formulation by wholly owned the principal operating subsidiary, with a view to enhance the Group's development and to maximise the shareholders' return by focusing on property operating aspect.

The Group targets to engage in the provision of rental, management and operating services to more tenants of different kinds of shopping malls in various locations. Therefore, Zhongyuan Jinyi had entered into the tenancy agreements with each of the landlords of the Jiachao's Shopping Mall and the Zone C Shopping Mall. The Group will persist to upgrade the tenants of the two shopping malls by offering tenancies to more popular brands and diversify the types of tenants to meet the needs and interests of customers from different ages and backgrounds. To achieve these aims, the Group conducts large scale marketing and promotion activities so that a stable and constant stream of income and fairly consistent cash flow can be continuously generated to the Group.

The Group will continue to deploy its resources on the property operating business including but not limited to (i) recruit more candidates with high-caliber and experience in property operating business; (ii) explore suitable shopping malls/properties of similar size and scale to the Jiachao's Shopping Mall and the Zone C Shopping Mall to expand the Group's property management and operating portfolio; and (iii) possible merger and acquisition of asset-light property operating business in the PRC so as to strengthen the Group's property operating team and further expand the Group's property management and operating portfolio.

The world keeps changing during the time of the prolonged pandemic. This poses a tremendous challenge to the Group. Nevertheless, the Group has been striving to use all of its resources on hand flexibly to cope with the difficulties. Extra prudence is needed in these unprecedented times and the Group can help support their tenants both now and over the long-term by increasing promotion activities to raise the popularity of the shopping malls, paying close attention to their business operations, providing policies of assistance for key merchants and following closely with market trends and government-related policies in real time in order to make appropriate management decisions in a timely manner.

By leveraging on the Group's current strategic plan and established strengths, experience and foresight, the Group continues to seize opportunities to penetrate into different areas of the property operating market, explore other new market potential and increase profit margin. Moreover, the Group intends to manage and operate the property operating segment by the current caliber management and competent employees of its subsidiaries. Simultaneously, the Group continues to implement conservative and stringent cost control policies in order to maintain sufficient working capital by imposing control over operating costs and capital expenditures and strengthening accounts receivable management.

Looking forward, the Group continues to place additional resources to realise growth momentum from the development of property operating market. The Jiachao's Shopping Mall and the Zone C Shopping Mall are situated in Zhengzhou City, the centre and one of the Regional Central Cities of the PRC, and with good economic and demographic fundamentals, which enables the Group to diversify its business operations into the property operating market in depth. The business growth of the Group is expected to accelerate and accordingly, the positive outcome will be gradually reflected in the future along with continuing development of the Belt and Road Initiative and the Internal/External Circular Economy that advocated by the PRC government. By continually diversifying the Group's business, the market value of the Company and the return to its shareholders will be maximised in long-term.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had net current assets and total assets less current liabilities of approximately HK$50,381,000 (2021: HK$461,834,000) and HK$2,089,655,000 (2021: HK$2,698,285,000), respectively. The Group had maintained its financial position by financing its operations with the proceeds from the disposal of a PRC subsidiary, internally generated resources and bonds. As at 30 June 2022, the Group had cash and bank deposits of approximately HK$21,526,000 (2021: HK$16,693,000). The current ratio of the Group was approximately 124.2% (2021: 396.3%).

Total equity of the Group as at 30 June 2022 was approximately HK$1,012,424,000 (2021: HK$1,514,758,000). As at 30 June 2022, four bonds (2021: five bonds) measured at amortised cost was approximately HK$25,344,000 (2021: HK$34,352,000) in aggregate, the gross debt gearing ratio (i.e. bonds/shareholders' fund) was approximately 2.5% (2021: 2.3%).

Though the return of funds has slowed down since 2020 as a result of the ongoing COVID-19 pandemic, the Group still has maintained and will continue to maintain a reasonable amount of working capital on hand in order to maintain its financial position, and sufficient resources are expected to be generated from its business operations and financial support from a substantial shareholder of the Company in meeting its short-term and long-term obligations.

FINANCING

As at 30 June 2022, the Group had no borrowing facilities (2021: Nil). In addition, four bonds (2021: five bonds) amounted to approximately HK$25,344,000 (2021: HK$34,352,000) in aggregate, measured at amortised cost, were arranged with three (2021: four) independent third parties.

The Board believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable term.

CAPITAL STRUCTURE

As at 30 June 2022, the share capital of the Company comprised ordinary shares only.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the year ended 30 June 2022, the Group was not subject to any significant exposure to foreign exchange rates risk as the majority of its transactions were denominated in RMB. Hence, no financial instrument for hedging was employed.

The Board monitors interest rate change exposure and may consider a hedging policy should the need arise.

CHARGE ON GROUP’S ASSETS

As at 30 June 2022, the Group did not pledge any assets to any banks or financial institutions (2021: Nil).

CAPITAL EXPENDITURE

During the year ended 30 June 2022, the Group invested approximately HK$3,981,000 (2021: HK$10,725,000) in property, plant and equipment; all was used for purchase of building, furniture, fixtures, office equipment and motor vehicles.

During the year ended 30 June 2021, there were approximately HK$7,000 additions of furniture, fixtures, office equipment and motor vehicles belonged to Zhengzhou Jiachao which was disposed of on 22 June 2021. Please refer to the announcements and the circular of the Company dated 26 April 2021, 22 June 2021 and 28 May 2021, respectively.

As at 30 June 2022, the Group had no capital commitments in property, plant and equipment (2021: Nil).

STAFF POLICY

The Group had 141 employees altogether in the PRC and Hong Kong as at 30 June 2022. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC. Moreover, the Group and its employees in the PRC are required to make respective contribution to fund the endowment insurance, unemployment insurance, medical insurance, employees' compensation insurance and birth insurance (for employers only) at the rates specified in the relevant PRC laws and regulations. The Group has adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its employees in Hong Kong.

The Group also provides periodic internal training to its employees.

Four independent non-executive Directors (each an "Independent Non-executive Director") are appointed by the Company for a term of one year commencing from 11 April, 19 September, 15 October and 1 December each year respectively.

CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company comprises four independent non-executive directors of the Company. The principal duties of the audit committee include the review of the Group's financial reporting procedures, risk management and internal control and financial results. The audit committee has reviewed with the management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the consolidated financial statements and annual results for the year ended 30 June 2022.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Group has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at http://artgroup.etnet.com.hk. An annual report for the year ended 30 June 2022 will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the board
Art Group Holdings Limited
Chen Jinyan
Chairman

Hong Kong, 27 September 2022

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