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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)

MAJOR TRANSACTION IN RELATION TO LEASE AGREEMENT

LEASE AGREEMENT

The Lessee, an indirect non-wholly-owned subsidiary of the Company, entered into a Lease Agreement with the Lessor with respect to the rent of the Longhu Property for a term of 10 years.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16 and HKAS 40, the entering into of the Lease Agreement by the Lessee will require the Group to recognise the right-of-use assets (classified as investment properties in initial recognition in the Group's consolidated financial statements). Therefore, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. It is expected that the fair values of the right-of-use assets recognised by the Group under the Lease Agreement amounted to approximately RMB246 million.

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect of the Lease Agreement exceeds 25%, the entering into of the Lease Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Lease Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its associates has any material interests in the Lease Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting on the resolution(s) in respect of the Lease Agreement at the EGM.

GENERAL

A circular containing, among others, (i) details of the Lease Agreement; (ii) a valuation report of the Longhu Property; and (iii) the notice of EGM is expected to be dispatched to Shareholders on or before 13 November 2025 as additional time is required to finalise the information in therein.

INTRODUCTION

The Board is pleased to announce that the Lessee entered into the Lease Agreement with the Lessor pursuant to which the Lessor agreed to lease, and the Lessee agreed to rent the Longhu Property.

THE LEASE AGREEMENT

The major terms of the Lease Agreement are set out below:

Date	:	27 August 2025
Parties	:	(1) Lessor; and (2) Lessee To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Property rented	:	the Longhu Property
Lease term	:	120 months (i.e. 10 years) commencing from 1 July 2025 and expiring on 30 June 2035.
Rental payment	:	There is no rent-free period.

The rental is as follows:

	-1/F & 5/F of the Longhu Property		**1/F & 2/F of the Longhu Property**			
Rental year	**Rental area** *(m^2)*	**Monthly unit price** *(RMB/m^2)*	**Rental area** *(m^2)*	**Monthly unit price** *(RMB/m^2)*	**Monthly total rent** *(RMB)*	**Aggregate total rent** *(RMB)*
Year 1		14		20	1,094,189.34	13,130,272.08
Year 2		14		23	1,203,206.16	14,438,473.92
Year 3		14		25	1,275,884.04	15,310,608.48
Year 4		17		27	1,427,292.75	17,127,513.00
Year 5	26,243.61	17	36,338.94	28	1,463,631.69	17,563,580.28
Year 6		20		30	1,615,040.40	19,380,484.80
Year 7		20		32	1,687,718.28	20,252,619.36
Year 8		20		33.5	1,742,226.69	20,906,720.28
Year 9		20		37	1,869,412.98	22,432,955.76
Year 10		20		40.5	1,996,599.27	23,959,191.24
Total						**184,502,419.20**

The rental is payable on a quarterly basis before the 10th day of the second month in the relevant quarter. The increment of the unit price was determined after arm's length negotiation among the Lessor and the Lessee with reference to the prevailing property market and the expected recovery of and an increase trend in the property prices in the long-term.

The Directors considered the monthly rent unit price increment is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The sub-tenants of the Longhu Property will pay its deposit and rental to a bank account of the Lessee (the "**bank account**"). The funds in the bank account will first be used to pay the rent and related expenses payable by the Lessee under the Lease Agreement. The remaining fund, after deduction of such rent and related expenses, will be utilised by the Lessee for its operation. The business licence, the bank account access key and the stamp for use with the bank account of the Lessee will be shared with and made accessible to the Lessor.

Security deposit

Within 10 business days from the date of the Lease Agreement, the Lessee will pay to the Lessor a sum of RMB1,000,000 as security deposit for breach of the Lease Agreement.

Usage

The Longhu Property will be used as commercial leasing, operation and management by the Lessee.

Termination

The Lease Agreement can be terminated upon mutual agreement of the Lessor and the Lessee. The Lessor can terminate the Lease Agreement and take back the Longhu Property if (i) the Lessee fails to pay the rent within 10 days of its due date; (ii) the Lessee on its own abolishes or modifies the structural parts of the Longhu Property; (iii) the Lessee uses the Longhu Property for illegal activities; and (iv) the Lessee fails to rectify any breach as notified by the Lessor.

INFORMATION OF THE LONGHU PROPERTY

The Longhu Property is a shopping centre located at Unit -105, Unit 101, Unit 201 and Unit 529 of Block 1, Longhu Shopping Centre, No. 150 Shuanghu Avenue, Longhu Town, Zhengzhou City, Henan Province, the PRC.

As of 27 August 2025, the Longhu Property had been leased to more than 120 tenants, with approximately 96.9% of the lettable area occupied by retail shops, restaurants, and/or premises used for entertainment and leisure purposes. The Longhu Property offers a wide range of services and goods including KTV, a supermarket and a convenient store, jewelries and watches, beauty, electrical devices shops, international labels for fashion, fitness, lifestyle, casual wear/sport, maternity and baby supplies, kid's paradise, technical learning and restaurants.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE LEASE AGREEMENT

The Directors understand that the original landlord of the Longhu Property was indebted to the Lessor and was defaulted in repayment. The Lessor obtained the title and ownership of the Longhu Property by court judgements.

At the time the Lessor took over the Longhu Property, there were sub-tenants. The Lessor does not have sufficient experiences and resources in managing and operating shopping malls. The Lessor requested the Lessee to operate the Longhu Property. The Lessor and the Lessee therefore entered into a temporary arrangement for a period from 10 May 2025 to 30 June 2025, and during that period, the Longhu Property were leased to Lessee at a monthly unit price of RMB14/m^2 for the rental area on -1/F and 5/F, the Longhu Property, and RMB20/m^2 for the rental area on 1/F and the 2/F, the Longhu Property, and operated and managed by the Lessee. The outstanding rent of approximately RMB4.2 million due and payable by the previous management company from 23 December 2024 to 9 May 2025 will be jointly assumed by the Lessee and the previous management company.

During the period of the temporary arrangement, the Group provided support to the Lessee through taking over the then existing management personnel of the Longhu Property and has successfully built up a high-quality, experienced property operation team, thereby eliminating the cost and time required for additional recruitment and training. The existing property operations team has established a solid cooperative relationship with the sub-tenants, which supports a continuing and stable operation for the Longhu Property.

Apart from that the Lease Agreement aligns with the Group's business strategic objectives and supports its continued expansion, the Board considered that the Lease Agreement is in the interests of and for the benefit of the Company and its shareholders as a whole for the following reasons:

(i) A team of high-calibre and experienced management staff is already in place on the Longhu Property, eliminating the need and cost for recruitment and training. The Group will instead implement its own operational standards with the existing personnel. Furthermore, the current staff maintain strong tenant relationships, which supports operational continuity and stability.

To take over the Longhu Property with sub-tenants and a team of experienced management and operational staff significantly reduces the Group's costs associated with recruitment and training, whilst providing immediate operational readiness, enabling business activities to commence without delay or further prerequisites.

(ii) Newly launched leasing projects typically require a year of preparation and offer tenants 3 to 6 months of rent-free periods for interior decoration and fit-out works. In addition to losing rents during the rent-free periods, the Group has to spend and invest on decorations of a new shopping mall and there is significant amount of upfront costs. Despite that the Group has to jointly take up approximately RMB4.2 million due to the Lessor from the previous management company, the Directors are of the view that the costs reduced in leasing the Longhu Property outweigh those in launching a brand new shopping mall project.

Operating a property with existing brand, decorations and tenant base avoids the time and cost of launching a new project, including marketing, promotion and leasing commissions, and provides the benefit of immediate cash flow and tenant relationships.

(iii) Current sub-tenants on the Longhu Property have medium to long-term leases, ensuring stable rental income over the next three years.

Overall, the takeover of the Longhu Property, which already has sub-tenants in place, along with the presence of a mature and experienced property operation team, has significantly reduced the Group's expenditure on manpower development and training. This has enabled the Longhu Property to be swiftly put into operation and allowed business activities to commence immediately without the need to meet other prerequisites of launching a new property operation project.

In view of (i) the presence of an experienced and capable management team already operating the Longhu Property; (ii) the cost savings from recruitment, training, and new project setup; (iii) the immediate commencement of operations; (iv) the stable rental income supported by existing tenants with an average lease term of three years; and (v) the improving macroeconomic conditions in the PRC, the Lease Agreement offers strategic and financial benefits to the Group taken as a whole.

INFORMATION OF THE GROUP

The Group is principally engaged in property operating business.

INFORMATION OF THE LESSOR

To the knowledge of the Directors, China Orient Asset Management Co., Ltd. Anhui Branch*（中國東方資產管理股份有限公司安徽省分公司）is a regional office of China Orient Asset Management Co., Ltd., a central state-owned financial enterprise incorporated in the PRC.

The Lessor operates under the authorization of the head office and engages primarily in distressed asset management, including the acquisition, restructuring, and disposal of non-performing assets.

INFORMATION OF THE LESSEE

Zhengzhou Longqixiang Commercial Operation Management Co., Ltd.*（鄭州龍啟翔商業運營管理有限公司）is incorporated in the PRC. The primary business is commercial complex operation and management and property management.

The Group indirectly holds 70% shareholding in the Lessee. To the best of the Directors' knowledge, the remaining 30% shareholding in the Lessee is held by Zhengzhou Longzhendong Commercial Operation Management Co., Ltd.*(鄭州龍振東商業運營管理有限公司), a company incorporated in the PRC and whose shareholders are five individuals, who are staff of the Group and third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

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As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect of the Lease Agreement exceeds 25%, the entering into of the Lease Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its associates has any material interests in the Lease Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting on the resolution(s) in respect of the Lease Agreement at the EGM.

GENERAL

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DEFINITIONS

In this announcement, the following expressions have the following meanings:

"Board"	the board of Directors
"Company"	Art Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its securities listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to approve the Lease Agreement
"Group"	the Company and its subsidiaries
"HKAS 40"	Hong Kong Accounting Standard 40 – Investment Property
"HKFRS 16"	Hong Kong Financial Reporting Standard 16 – Leases
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Lease Agreement"	the lease contract dated 27 August 2025 entered into by the Lessor and the Lessee in respect of the Longhu Property
"Lessee"	Zhengzhou Longqixiang Commercial Operation Management Co., Ltd.*(鄭州龍啟翔商業運營管理有限公司) is incorporated in the PRC and a non-wholly-owned subsidiary of the Company

"Lessor"	China Orient Asset Management Co., Ltd. Anhui Branch*（中國東方資產管理有限公司安徽省分公司）is a regional office of China Orient Asset Management Co., Ltd., a central state-owned financial enterprise incorporated in the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longhu Property"	Unit -105, Unit 101, Unit 201 and Unit 529 of Block 1, Longhu Shopping Centre, located at No. 150 Shuanghu Avenue, Longhu Town, Zhengzhou City, Henan Province, the PRC
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"m^2"	square meter
"%"	per cent

On behalf of the Board
ART GROUP HOLDINGS LIMITED
Chen Jinyan
Director

Hong Kong, 29 September 2025

As at the date of this announcement, the executive directors of the Company are Mr. Su Peixin, Dr. Wong Ho Yin, Mr. Yao Linying and Mr. Chen Jinyan; and the independent non-executive directors of the Company are Mr. Chong Hon Wang, Ms. Chuang Yin Lam and Ms. Wang Yuqin.

* *For identification purpose only*