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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 TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN ZHENGZHOU JIACONG PROPERTY SERVICES CO., LTD.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that, on 27 June 2019 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire equity interests of the Target Company at the Consideration of RMB212,239,000 (equivalent to approximately HK$241,180,000), which shall be settled by cash. The Completion shall take place on or before 30 June 2019 (or such other date as agreed by the parties may agree in writing).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a disclosable transaction on the part of the Company and the Disposal is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

27 June 2019 (after trading hours of the Stock Exchange)

Parties

Vendor:	鄭州昌盾資產管理有限公司 (Zhengzhou Changdun Assets Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company
Purchaser:	鄭州豐祥投資有限公司 (Zhengzhou Fengxiang Investment Co., Ltd.)
Target Company:	鄭州佳聰物業服務有限公司 (Zhengzhou Jiacong Property Services Co., Ltd.)

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire equity interests of the Target Company at a consideration of RMB212,239,000 (equivalent to approximately HK$241,180,000), which comprises (i) RMB80,239,000 (equivalent to approximately HK$91,180,000) for repayment of amount due to the Vendor and (ii) RMB132,000,000 (equivalent to approximately HK$150,000,000) for the entire equity interests in the Target Company. As at the date of this announcement, the Vendor beneficially owns the entire equity interests of the Target Company.

Consideration

The Consideration for the sale and purchase for the entire equity interests of the Target Company shall be RMB212,239,000 (equivalent to approximately HK$241,180,000), and shall be settled by the Purchaser in cash in the following manner:

(1) RMB10,000,000 (equivalent to approximately HK$11,364,000) will be payable on or before 30 June 2019; and

(2) the remaining balance of RMB202,239,000 (equivalent to approximately HK$229,816,000) will be payable within 75 days from the date of the Sale and Purchase Agreement.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms after taking into account of the value of the Property owned by the Target Company and the Directors are of the view that the Consideration is fair and reasonable and on normal commercial terms and that the Disposal is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent of the Sale and Purchase Agreement

Completion is conditional upon, amongst others, the fulfilment and/or (if applicable) waiver of conditions, which includes the obtaining of all consents, authorisations, permits and approvals, including but not limited to approval from the relevant Industry and Commerce Bureau, in respect of the Sale and Purchase Agreement, the transfers of equity interests in the Target Company and the transactions contemplated under the Sale and Purchase Agreement.

If the condition above is not fulfilled on or before 30 June 2019 (or such other date as agreed by the parties may agree in writing), the Sale and Purchase Agreement shall lapse and cease to be of any effect, and no party to the Sale and Purchase Agreement shall have any claim against or liabilities to the other parties, save in respect of any antecedent breaches.

Completion

Subject to the fulfilment (or waiver, where applicable), Completion shall take place on or before 30 June 2019. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability. As at the date of the announcement, the Target Company is an indirect wholly-owned subsidiary of the Company.

The principal business of the Target Company is the holding of the Property for rental purpose and agency. The Property is situated in a giant theme shopping mall selling textile materials, accessories and products located at No. 1 Zheng Shang (Middle Section) Road, Zhong Yuan District, Zhengzhou Shi, Henan Province, the PRC with gross floor area of approximately 6,931 square meters and forms part of a big scale mixed residential, commercial, office and hotel development project. As at the date of this announcement, all of the 164 shops of the Property had been leased out to run textile business.

Financial information of the Target Company

Set out below is the unaudited financial information of the Target Company for the two financial years ended 30 June 2018:

	For the year ended 30 June	
	2017	**2018**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	8,299	9,470
Profit before tax	3,362	8,854
Profit after tax	2,122	7,369

The unaudited net assets of the Target Company as at 30 June 2018 were approximately HK$110,433,000.

INFORMATION OF THE PURCHASER

The Purchaser was incorporated in the PRC with limited liability and is principally engaged in investment in and rental of real estate and provision of investment consultation service.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the business of property operating. However, as a consequence of China-US trade dispute and its ongoing impacts, the management of the Group is not optimistic about the future of the wholesale market of the textile industry in the PRC; hence, the management of the Group decided to dispose of the Target Company to realise the Group's investment. The proceeds from the Disposal will be applied to general working capital purpose of its property operating business. The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Group is expected to record an unaudited gain on the Disposal of approximately RMB5,458,000 (equivalent to approximately HK$6,202,000). Such gain is estimated based on the consideration from the disposal of the entire equity interests of the Target Company of RMB132,000,000 (equivalent to approximately HK$150,000,000), minus net assets of the Target Company disposed of RMB127,920,000 (equivalent to approximately HK$145,363,000) and plus cumulative exchange differences in respect of the net assets of the Target Company reclassified from equity to profit or loss on loss of control of the Target Company of RMB1,378,000 (equivalent to approximately HK$1,565,000).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Disposal constitutes a disclosable transaction for the Company under Rule 14.06(2) of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Board"	the board of Directors
"Company"	Art Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 565)
"Completion"	the completion of the sale and purchase of the entire equity interests of the Target Company
"Consideration"	the consideration payable by the Purchaser for acquiring the entire equity interests of the Target Company
"Directors"	the directors of the Company
"Disposal"	the sale of the entire equity interests of the Target Company by the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Property"	the property located at No. 1 Zheng Shang (Middle Section) Road, Zhong Yuan District, Zhengzhou Shi, Henan Province, the PRC, consisting of 164 shops with a gross floor area of approximately 6,931 square metres
"PRC"	the People's Republic of China

"Purchaser"	鄭州豐祥投資有限公司 (Zhengzhou Fengxiang Investment Co., Ltd.)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 27 June 2019 entered into between the Vendor and the Purchaser in relation to the Disposal
"Shareholder(s)"	holder(s) of the ordinary share(s) in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	鄭州佳聰物業服務有限公司 (Zhengzhou Jiacong Property Services Co., Ltd.)
"Vendor"	鄭州昌盾資產管理有限公司 (Zhengzhou Changdun Assets Management Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on 7 July 2014 and is an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

By Order of the Board
Art Group Holdings Limited
Chen Jinyan
Chairman

Hong Kong, 27 June 2019

For the purpose of this announcement, the conversion of RMB into HK$ is based on the approximate exchange rate of HK$1.00 to RMB0.88 for illustration purpose only.

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, Mr. Yang Zeqiang and Ms. Chong Sze Pui Joanne.