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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
SECOND SUPPLEMENTAL AGREEMENT
IN RELATION TO EXTENSION OF LOAN**

Reference is made to the announcements of the Company dated 28 April 2021, 13 May 2021, 19 November 2021 and 27 May 2022 in relation to the Loan Agreement and the First Supplemental Agreement.

On 29 June 2022 (after trading hours), the Lender, the Borrower, the Guarantor and the New Guarantor entered into the Second Supplemental Agreement to (i) extend the repayment date of the Loan to 27 April 2023; (ii) revise the interest rate of the Loan to 4.785% per annum effective from 28 April 2022 and up to and including 27 April 2023; and (iii) to revise repayments of the Loan in three installments.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect to the Loan (as revised by the Second Supplemental Agreement) exceeds 25%, the entering into the Second Supplemental Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to approval of Shareholders at EGM.

As the amount of the financial assistance granted to the Borrower exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of the Loan (as revised by the Second Supplemental Agreement) is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

THE EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Second Supplemental 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 interest in the Second Supplemental Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting on the resolution(s) in respect of the Second Supplemental Agreement at the EGM.

GENERAL

A circular containing (i) details of the Second Supplemental Agreement, and (ii) the notice of EGM is expected to be dispatched to Shareholders on or before 31 August 2022.

BACKGROUND

Reference is made to the announcements (the “**Announcements**”) of the Company dated 28 April 2021, 13 May 2021, 19 November 2021 and 27 May 2022 in relation to the Loan Agreement and the First Supplemental Agreement. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Announcements.

On 28 April 2021, the Lender, the Borrower and the Guarantor entered into the Loan Agreement pursuant to which the Lender agreed to lend to the Borrower a loan in the principal amount of RMB250,000,000 for a term of 12 months from the drawdown date.

On 19 November 2021, the Lender, the Borrower, the Guarantor and the New Guarantor entered into the First Supplemental Agreement pursuant to which, the outstanding principal amount of the Loan revised from RMB250,000,000 to RMB210,000,000 and to release and discharge the Discharged Equity Interests.

THE SECOND SUPPLEMENTAL AGREEMENT

The parties entered into the Second Supplemental Agreement to extend the repayment date of the Loan, and amend and supplement certain terms of the Loan Agreement (as amended by the First Supplemental Agreement). The major terms of the Second Supplemental Agreement are set out below:

Date:	29 June 2022
Parties	(1) the Lender; (2) the Borrower; (3) the Guarantor; and (4) the New Guarantor
Principal amount:	RMB210,000,000 (equivalent to approximately HK\$247,059,000)
Interest rate:	4.785% per annum effective from 28 April 2022 and up to and including 27 April 2023 (both days inclusive)
Repayment date:	27 April 2023
Repayment schedule:	Principal amount and interest accrued thereon are to be repaid as follows: (1) RMB20,000,000 (equivalent to approximately HK\$23,530,000) to be repaid on or before 30 September 2022;

- (2) RMB90,000,000 (equivalent to approximately HK\$105,882,000) to be repaid on or before 31 January 2023; and
- (3) RMB100,000,000 (equivalent to approximately HK\$117,647,000) (with all interest accrued on the Loan) on or before 27 April 2023

Conditions precedent:

The effectiveness of the Second Supplemental Agreement is subject to the fulfillment of the following conditions:

- the parties have signed the Second Supplemental Agreement;
- the Company has published an announcement pursuant to the Listing Rules; and
- (if required) the EGM is convened and the Shareholders have approved the Second Supplemental Agreement

If the conditions precedent are not fulfilled on or before 31 August 2022 (or other date as agreed by the parties in writing), the Second Supplemental Agreement shall automatically terminate and be no longer binding on the parties. None of the conditions can be waived.

Save as disclosed above, all other terms of the Loan Agreement (as amended by the First Supplemental Agreement) shall remain in full force and effect. The guarantee given by the Guarantor and the New Guarantor in favour of the Lender will remain as the continuing security for the due performance of the obligation of the Borrower under the Loan Agreement (as amended by the First Supplemental Agreement).

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

The terms of the Second Supplemental Agreement, including the interest rate, were negotiated on an arm's length basis by the parties with regard to the prevailing market rates and practices. Having considered factors including the extended term of the Loan, the revised repayment schedules and the interest rate offered by certain commercial banks in respect of short-term loans, the parties agreed to revise the interest rate of the Loan. Comparing with the prevailing interest rate for short-term loans offered by certain commercial banks in the PRC to the public of 4.35%, the interest rate of 4.785% under the Second Supplemental Agreement remains attractive to generate a stable interest income to the Group. The Directors considered that the Second Supplemental Agreement would be beneficial to the Group as a whole. Taking into account (i) the interest income to be received by the Group; (ii) the intention of maintaining a long term business relationship with the Borrower; and (iii) the credit assessments and repayment ability of the Borrower, the Guarantor and the New Guarantor, the Directors considered that the terms and conditions of the Second Supplemental Agreement are of normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE LENDER

The Company is a company incorporated in the Cayman Islands with limited liability with its securities listed on the Stock Exchange (stock code: 565.hk). The Group is principally engaged in property operating business.

The Lender is a company established in the PRC with limited liability and is indirectly wholly-owned by the Company. The principal business activity of the Lender is investment holding.

INFORMATION OF THE BORROWER

The Borrower is a company established in the PRC with limited liability. Its equity interests are held as to 59% by Pingtan Shengchang Investment Management Partnership (Limited Partnership)* (平潭盛暢投資管理合夥企業(有限合夥)) (“**Pingtan Partnership**”) and 41% by Chen Yirui. Pingtan Partnership is a limited partnership established in the PRC and whose interests are held as to 41% by Chen Yirui, 29.5% by Chen Zhang and 29.5% by Diao Mingren.

The Borrower is principally engaged in gardening and greening landscape design and construction in the PRC.

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

INFORMATION OF THE GUARANTOR

The Guarantor 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.

The Guarantor is principally engaged in the sale of cotton yarns and textile products.

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

INFORMATION OF THE NEW GUARANTOR

The New Guarantor is a company established in the PRC with limited liability. Its equity interests are held as to 90% by Chen Yirui and 10% by Chen Liangjin. Chen Yirui is the controlling shareholder of the Borrower. The New Guarantor is principally engaged in building decoration engineering.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the New Guarantor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Loan exceeds 25%, the entering into the Second Supplemental Agreement and the transactions contemplated thereunder constitute a major transaction on the part of the Company under Chapter 14 of the Listing Rules and subject to approval of the Shareholders at EGM.

As the amount of the financial assistance granted to the Borrower exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of the Loan (as revised by the Second Supplemental Agreement) is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

THE EGM

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Second Supplemental 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 interest in the Second Supplemental Agreement and the transactions contemplated thereunder, and no Shareholder would be required to abstain from voting on the resolution(s) in respect of the Second Supplemental Agreement at the EGM.

GENERAL

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DEFINITIONS

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

“EGM”	the extraordinary general meeting of the Company to be convened to approve the Second Supplemental Agreement
“First Supplemental Agreement”	the supplemental loan agreement dated 19 November 2021 and entered into by the Lender, the Borrower, the Guarantor and the New Guarantor to amend and supplement the Loan Agreement
“Second Supplemental Agreement”	the supplemental agreement dated 29 June 2022 and entered into by the Lender, the Borrower, the Guarantor and the New Guarantor to amend and supplement the Loan Agreement and the First Supplemental Agreement

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

Hong Kong, 29 June 2022

** 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 = RMB0.85. 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.

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.