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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Art Group Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A letter from the Board is set out on pages 4 to 16 of this circular.

A notice convening the EGM to be held by way of electronic means (via ZOOM MEETING ONLY) on Wednesday, 31 August 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Voting at the EGM is by PROXY ONLY. Shareholders who wish to vote on any or all of the resolutions at the EGM must complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. Monday, 29 August 2022 at 11:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending the EGM or any adjournment thereof.

12 August 2022

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context specifies otherwise:*

“Articles”	the articles of association of the Company, as amended, supplemented or modified from time to time
“Board”	the board of the Directors
“Borrower”	Fujian Qiancheng Lujingguan Engineering Co., Ltd.* (福建千城綠景觀工程有限公司), a company established in the PRC with limited liability
“Company”	Art Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability with its securities listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Discharged Equity Interests”	the share charge over the 25% equity interests in Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.* (鄭州中原錦藝商業運營管理有限公司) given by the Guarantor will be released and discharged within 20 business days after the date of the First Supplemental Agreement
“EGM”	an extraordinary general meeting of the Company to be held on Wednesday, 31 August 2022 at 11:00 a.m. for the purpose to approve the Second Supplemental Agreement, notice of which is set out herein
“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
“Group”	the Company, and its subsidiaries

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## DEFINITIONS

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“Guarantor”	Henan Diyi Textile Co., Ltd.* (河南第一紡織有限公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lender”	Zhengzhou Changdun Asset Management Co., Ltd.* (鄭州昌盾資產管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practical Date”	9 August 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Loan”	the loan in the principal amount of RMB210,000,000 (equivalent to approximately HK\$247,059,000) granted by the Lender to the Borrower pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement dated 28 April 2021 and entered into by the Lender, the Borrower and the Guarantor relating to the provision of the Loan (as revised by the First Supplemental Agreement and the Second Supplemental Agreement)
“New Guarantor”	Fujian Ruilang Decoration Engineering Co., Ltd.* (福建瑞朗裝飾工程有限公司), a company established in the PRC with limited liability
“RMB ”	Renminbi, the lawful currency of People’s Republic of China

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## DEFINITIONS

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“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

\* *For identification purpose only*

For the purpose of illustration only and unless otherwise stated, amounts denominated in RMB in this circular 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.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Chen Jinyan (*Chairman*)

Mr. Chen Jindong

*Independent non-executive Directors:*

Mr. Kwan Chi Fai

Mr. Lin Ye

Ms. Chong Sze Pui Joanne

Ms. Wong Yuqin

*Registered Office:*

2nd Floor, Century Yard

Cricket Square

P.O. Box 902

Grand Cayman KY1-1103

Cayman Islands

*Head Office and principal place  
of business in Hong Kong:*

Unit 1407, 14th Floor

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

12 August 2022

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
SECOND SUPPLEMENTAL AGREEMENT  
IN RELATION TO EXTENSION OF LOAN  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcements (the “**Announcements**”) of the Art Group Holdings Limited dated 28 April 2021, 13 May 2021, 19 November 2021, 27 May 2022 and 29 June 2022 in relation to the Loan Agreement, the First Supplemental Agreement and the Second Supplemental Agreement.

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## LETTER FROM THE BOARD

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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.

On 29 June 2022, 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) revise repayment of the Loan in three installments.

The purpose of this circular is to provide you with, among other things, details of the Loan (as revised by the Second Supplemental Agreement), other information required by the Listing Rules and the notice of EGM.

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Announcements.

## 2 MAJOR TERMS OF THE LOAN

Below sets out the principal terms of the Loan (as amended by the First Supplemental Agreement and the Second Supplemental Agreement):

	<b>Loan Agreement</b>	<b>First Supplemental Agreement</b>	<b>Second Supplemental Agreement</b>
Date:	28 April 2021	19 November 2021	29 June 2022
Parties:	(1) the Lender (2) the Borrower; and (3) the Guarantor	(1) the Lender (2) the Borrower; (3) the Guarantor; and (4) the New Guarantor	(1) the Lender (2) the Borrower; (3) the Guarantor; and (4) the New Guarantor

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## LETTER FROM THE BOARD

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	<b>Loan Agreement</b>	<b>First Supplemental Agreement</b>	<b>Second Supplemental Agreement</b>
Loan amount:	RMB250,000,000	RMB210,000,000	RMB210,000,000 (equivalent to approximately HK\$247,059,000)
Interest rate:	7.5% per annum	7.5% per annum	4.785% per annum effective from 28 April 2022 and up to 27 April 2023 (both days inclusive)
Term/ Repayment date:	12 months commencing from the loan's drawdown date, and drawdown can take place after the Loan Agreement becomes effective	28 April 2022	27 April 2023
Purpose:	The Loan will be used by the Borrower towards its working capital to finance its daily funding needs.		

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## LETTER FROM THE BOARD

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	<b>Loan Agreement</b>	<b>First Supplemental Agreement</b>	<b>Second Supplemental Agreement</b>
Repayment:	The Borrower shall repay all interest accrued on the Loan and the principal amount of the Loan on the repayment date.		Principal Loan amount and interest accrued thereon are to be repaid as follows:  <ol style="list-style-type: none"><li>(1) RMB20,000,000 (equivalent to approximately HK\$23,530,000) on or before 30 September 2022;</li><li>(2) RMB90,000,000 (equivalent to approximately HK\$105,882,000) on or before 31 January 2023; and</li><li>(3) RMB100,000,000 (equivalent to approximately HK\$117,647,000) (with all interest accrued on the Loan) on or before 27 April 2023.</li></ol>

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## LETTER FROM THE BOARD

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	<b>Loan Agreement</b>	<b>First Supplemental Agreement</b>	<b>Second Supplemental Agreement</b>
Security:	<p>(a) The Guarantor agrees to guarantee the Borrower's due performance and payment under the Loan Agreement; and</p> <p>(b) the share charge given by the Guarantor in favour of the Lender.</p>	<p>(a) the share charge be released and discharged within 20 business days after the date of the First Supplemental Agreement;</p> <p>(b) the New Guarantor agrees to guarantee the Borrower's due performance and payment under the Loan Agreement; and</p> <p>(c) the Guarantor agrees to guarantee the Borrower's due performance and payment under the Loan Agreement.</p>	<p>(a) the New Guarantor agrees to guarantee the Borrower's due performance and payment under the Loan Agreement; and</p> <p>(b) the Guarantor agrees to guarantee the Borrower's due performance and payment under the Loan Agreement.</p>

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## LETTER FROM THE BOARD

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	<b>Loan Agreement</b>	<b>First Supplemental Agreement</b>	<b>Second Supplemental Agreement</b>
Early repayment:	At any time prior to the repayment date:		
	(a) the Borrower may request for early repayment by giving to the Lender not less than 3 business days prior notice of repayment, and upon written consent of the Lender, the Borrower can make early repayment of the Loan and the interest accrued thereon; and		
	(b) the Lender may request for early repayment by giving to the Borrower not less than 30 business days prior notice of repayment, and upon written consent of the Borrower, the Borrower shall repay the Loan and the interest accrued thereon.		
Default interest:	If the Borrower fails to pay any sum which becomes due under the Loan Agreement, it shall pay interest on such unpaid sum from and including the due date up to and including the date of actual payment at a default rate of 12% per annum.		
Effective date:	The Loan Agreement will become effective on the date on which registration/filing of the share charge with the relevant authority is completed.	On the date of signing	The effectiveness of the Second Supplemental Agreement is subject to the following conditions:  (i) the parties have signed the Second Supplemental Agreement;  (ii) the Company has published an announcement pursuant to the Listing Rules; and

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## LETTER FROM THE BOARD

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Loan Agreement	First Supplemental Agreement	Second Supplemental Agreement
		(iii) (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.
		As at the Latest Practicable Date, conditions (i) and (ii) had fulfilled and, with respect to condition (iii), the EGM will be convened.

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## LETTER FROM THE BOARD

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### 3. 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 (such as Bank of China, China Construction Bank, Industrial Bank, Industrial and Commercial Bank of China and Ping An Bank) 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 interest rate was amended from 7.5% per annum in the Loan Agreement to 4.785% per annum in the Second Supplemental Agreement. As disclosed in the supplemental announcement of the Company dated 13 May 2021 in relation to the Loan Agreement, the then interest rate was determined with reference to the interest rate of 5% to 7.5% per annum offered by certain commercial banks in respect of short-term loans. The revised interest rate of 4.785% per annum in the Second Supplemental Agreement was determined with reference to the prevailing interest rate of 4.35% per annum for short-term loans offered by certain commercial banks in the PRC. The Directors considered that the Second Supplemental Agreement would be beneficial to the Group as a whole. Taking into account (i) the interest income of approximately RMB10 million (HK\$12 million) to be received by the Group; (ii) the intention of maintaining a long term business relationship with the Borrower. As the Company always aim at improving its profitability as well as diversifying its types of business so as to further develop the business of the Group and increase the shareholders' return, and the Borrower is principally engaged in gardening, greening landscape design and construction business, the Company may have further business relationship with the Borrower when and where appropriate opportunity arises; and (iii) the credit assessments (such as management accounts and contracts) and repayment ability of the Borrower, the Guarantor and the New Guarantor, the Directors consider that the terms and conditions (including the revised interest rate) 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.

In conducting the credit assessment and repayment ability of the Borrower, the Guarantor and the New Guarantor, the works performed by the Directors include:

- (i) discussed with each of the Borrower, the Guarantor and the New Guarantor about its business, operation, financial status and the purpose for the Loan;

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## LETTER FROM THE BOARD

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- (ii) obtained and reviewed certain current business contracts of the Borrower, the Guarantor and the New Guarantor which indicate that each of the Borrower, the Guarantor and the New Guarantor is in operation and sufficient cash is expected to be generated to each of them;
- (iii) conducted background and corporate searches of the Borrower, the Guarantor and the New Guarantor which did not reveal any past default by the Borrower, the Guarantor and the New Guarantor; and
- (iv) obtained and reviewed the latest audited reports and most updated management accounts of the Borrower, the Guarantor and the New Guarantor, which did not reveal the Borrower, the Guarantor and the New Guarantor had any extraordinary liabilities.

#### 4. 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.

#### 5. 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.

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## LETTER FROM THE BOARD

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### 6. 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.

### 7. 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.

### 8. 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 of the Loan Agreement (as amended and supplemented by the First Supplemental Agreement and 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.

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## **LETTER FROM THE BOARD**

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### **9. FINANCIAL EFFECTS OF THE PROVISION OF LOANS AND THE EXTENSION OF LOAN ON THE GROUP**

The provision of Loan in an amount of approximately HK\$247,059,000, represents approximately 17.64% of the net assets value of the Group as at 31 December 2021 extracted from the unaudited condensed consolidated financial statements of the Group. The provision of the Loan and extension of Loan will not cause any material impact on total assets, total liabilities and net asset value of the Group. Earnings of the Group of approximately RMB10 million (HK\$12 million) will be generated as a result of recognition of interest income in the relevant period.

### **10. ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

### **11. THE EGM AND PROXY ARRANGEMENT**

The notice convening the EGM to be held by way of electronic means (via ZOOM MEETING ONLY) on Wednesday, 31 August 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. There will be no physical location to facilitate the EGM.

At the EGM, an ordinary resolution will be proposed to approve the Second Supplemental Agreement and the transactions (including the Loan) contemplated thereunder. As no Shareholder has any interest in the Second Supplemental Agreement and the transactions (including the Loan) contemplated thereunder, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Second Supplemental Agreement at the EGM.

A form of proxy for use at the EGM is also enclosed. Voting at the EGM is by PROXY ONLY. Shareholders who wish to vote on any or all of the resolutions at the EGM must complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. Monday, 29 August 2022 at 11:00 a.m., Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the EGM or any adjournment thereof if you so wish.

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## LETTER FROM THE BOARD

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Shareholders will need to complete the following steps to be able to access the proceedings of the EGM of the Company:

### **Accessing proceedings of EGM by ZOOM**

Shareholders who would like to view, speak at and listen to the EGM through a live webcast will need to register by sending an email to the Registrar, Tricor Investor Services Limited at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or via telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays) no later than Monday, 29 August 2022 at 11:00 a.m. (being not less than forty-eight (48) hours before the time appointed for holding the EGM) to enable the Company to verify the Shareholders' status. Authenticated Shareholders will receive an email confirmation by 30 August 2022, which contains a link to join the EGM via ZOOM MEETING. Shareholders **MUST NOT** forward the link to other persons who are not the Shareholders and who are not entitled to attend the EGM.

**THE COMPANY WILL NOT ACCEPT ANY PHYSICAL ATTENDANCE BY SHAREHOLDERS.**

### **Questions from Shareholders**

Shareholders may submit any questions they may have in advance in relation to any resolutions set out in the notice of EGM by 11:00 a.m. on Monday, 29 August 2022 (being not less than forty-eight (48) hours before the time appointed for holding the EGM) via email to the Registrar, Tricor Investor Services Limited at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or via telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays). The Board will address the questions during the EGM proceedings.

### **Proxy voting**

Voting at the EGM is by **PROXY ONLY**. Shareholders who wish to vote on any or all of the resolutions at the EGM must appoint the Chairman of the EGM as their proxy by completing the Proxy Form for the EGM. Shareholders should specifically indicate how they wish to vote for or vote against the resolutions set out in the notice of EGM. If you have any questions relating to the EGM, please email to the Registrar, Tricor Investor Services Limited at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or call the share registrar's telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays).

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules and the Articles, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of such meeting, in good faith, decides to allow a resolution relating purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Listing Rules. Therefore, the resolution put to the vote at the EGM will be taken by way of poll.

After the conclusion of the EGM, the poll results will be published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://artgroup.etnet.com.hk> in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### 12. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Second Supplemental Agreement, including but not limited to the terms and the interest rate, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Yours faithfully,  
For and on behalf of the Board  
**Art Group Holdings Limited**  
**Chen Jinyan**  
*Chairman*

**FINANCIAL INFORMATION**

The financial information of the Group for the years ended 30 June 2019, 30 June 2020 and 30 June 2021 was disclosed in the annual reports of the Company for the years ended 30 June 2019 (page 46 to 120), 30 June 2020 (page 48 to 124), 30 June 2021 (page 55 to 132) and that for the six months ended 31 December 2021 was disclosed in the interim report of the Company for the six months ended 31 December 2021 (page 4 to 30). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://artgroup.etnet.com.hk>). Please refer to the hyperlinks as stated below:

2019 annual report (for the year ended 30 June 2019)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1025/ltn20191025071.pdf>

2020 annual report (for the year ended 30 June 2020)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1023/2020102300360.pdf>

2021 annual report (for the year ended 30 June 2021)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1029/2021102900761.pdf>

2021 interim report (for the six months ended 31 December 2021)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0316/2022031600482.pdf>

**INDEBTEDNESS**

As at 30 June 2022, the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

**Lease liabilities**

As at 30 June 2022, the Group had unsecured and unguaranteed lease liabilities amounting to approximately HK\$988,470,000.

**Bonds**

As at 30 June 2022, the aggregate principal amount of unsecured and unguaranteed bonds issued by the Group was amounted to approximately HK\$25,340,000.

**Disclaimers**

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases, hire purchases commitments (whether guaranteed, unguaranteed, secured or unsecured), guarantees or other material contingent liabilities at the close of business on 30 June 2022.

To the best knowledge of the Directors, having made all reasonable enquiries, there have been no material changes in indebtedness or contingent liabilities of the Group since 30 June 2022 and up to Latest Practicable Date.

**WORKING CAPITAL**

After taking into account the present financial resources and the borrowings, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66 (12) of the Listing Rules.

**FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group had a shift of business focus and resources to become an asset-light and service-oriented property operator during 2021 by transferring from the property holding and operating aspect to solely property operating aspect.

**Revenue**

For the year ended 30 June 2021, the Group recorded a revenue of approximately HK\$188,634,000 (2020: HK\$159,547,000), approximately 18.2% more than that in 2020. Such increase in revenue was due to a reduction of rental, management and operating service charges granted to two tenants of the Jiachao's Shopping Mall and the Zone C Shopping Mall which were under mandatory closure as a result of the regulatory policies for the period from July to September 2020 (2020: 280 tenants (including tenants of the short-term leases)) on different bases with an aggregated amount of approximately HK\$697,000 (2020: HK\$17,705,000) because of the COVID-19 pandemic.

**Gross profit**

The gross profit margin was approximately 56.4% for the year ended 30 June 2021 (2020: 60.1%). 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. Decrease in gross profit margin was due to resumption of normal opening of the shopping malls throughout the current year as a result of well-controlled epidemic situation; hence, variable costs of sales increased to some extent.

**Other Income**

Other income for the year ended 30 June 2021 was approximately HK\$30,280,000 (2020: HK\$14,764,000), which comprised mainly other kinds of incomes, such as car parking fees and other services provided to tenants. Increase in other income was due to (1) more consumption of car parks by customers due to resumption of normal opening of the shopping malls throughout the current year as a result of well-controlled epidemic situation; (2) interest income generated from a term deposit; and (3) receipts of business subsidies from local governments as a consequence of the COVID-19 pandemic.

**Business review and future plans**

The Group is principally engaged in property operating business. As at 31 December 2021, approximately 99.0% of the lettable area of the Jiachao's Shopping Mall was rented out and 97.7% of the lettable area of the Zonce C Shopping Mall was rented out.

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. 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.

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 Group's business has been affected by COVID-19 pandemic to a certain extent. The Group sees cost reduction as a key strategic focus to help navigate business uncertainty resulting from the prolonged global COVID-19 pandemic.

The Group will continue to impose cost control measures to curb unnecessary expenses and focus on protecting and advancing the interests of tenants and customers in these difficult times. In view of achieving the best interests of the Company and its shareholders as a whole, the Group will put effort in enlarging its operations of property operating business. Substantial resources have been placed in the property operating business to explore future prospects and develop relevant markets, with a view to enhance the Group's development and to maximise the Shareholders' return.

**MATERIAL ADVERSE CHANGE**

The Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 30 June 2021, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**DISCLOSURE OF INTERESTS****Interest of the Directors*****Interests and short positions of Directors and chief executive in shares and debentures***

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

*Long positions*

## (a) Shares

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Percentage of the issued Share capital of the Company</b>
Mr. Chen Jindong	Held by his spouse ( <i>Note 1</i> )	369,100,000	13.73%
Mr. Chen Jinyan	Beneficial owner and held by controlled corporation ( <i>Note 2</i> )	597,280,000	22.21%

*Notes:*

- 1- Among the 369,100,000 Shares, 324,340,000 Shares are held by Jinjie Limited, a company incorporated in the British Virgin Islands (the “BVI”), the entire issued share capital of which is beneficially owned by the spouse of Mr. Chen Jindong, Ms. Lin Lin, and 44,760,000 Shares are held by Ms. Lin Lin. Mr. Chen Jindong is deemed to be interested in the 369,100,000 Shares.
- 2- Among the 597,280,000 Shares, 593,480,000 Shares are held by Fully Chain Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinyan and 3,800,000 Shares are held by Mr. Chen Jinyan. Mr. Chen Jindong is the younger brother of Mr. Chen Jinyan.

## (b) Share options

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Share options held</b>	<b>Number of underlying Shares</b>
Mr. Lin Ye	Beneficial owner	2,080,000	2,080,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

*Interests and short positions of substantial Shareholders and other persons in Shares*

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued voting shares capital of any other member of the Group:

*Long positions – Shares in the Company*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Percentage of the issued Share capital of the Company</b>
Ms. Lin Lin	Beneficial owner and interest in a controlled corporation	369,100,000	13.73%
Mr. Chen Jinqing	Beneficial owner and interest in a controlled corporation ( <i>Note</i> )	188,315,000	7.00%
Dresdner VPV N. V.	Investment manager	139,755,200	5.20%

*Note:* Among the 188,315,000 Shares, 166,000,000 Shares are held by Ultimate Name Limited, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Chen Jinqing and 22,315,000 Shares are held by Mr. Chen Jinqing. Mr. Chen Jinqing is the youngest brother of Mr. Chen Jinyan and Mr. Chen Jindong.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any substantial shareholder of the Company within the meaning of the Listing Rules or other person (in each case other than a Director or chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

**DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which were not expiring and determinable by the Group within one year without payment of compensation (other than statutory compensation).

**COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**INTERESTS OF DIRECTORS OR EXPERTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 30 June 2021 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

**MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Company and its subsidiaries during the period commencing two years preceding the date of this circular and are or may be material:

- (a) the Loan Agreement;
- (b) the First Supplemental Agreement;
- (c) the Second Supplemental Agreement;

- (d) the equity interests transfer agreement dated 15 November 2021 and entered into between Henan Diyi Textile Co., Ltd.\* (河南第一紡織有限公司) and Zhengzhou Changdu Asset Management Co., Ltd.\* (鄭州昌盾資產管理有限公司) in relation to the transfer of 25% equity interests in Zhengzhou Zhongyuan Jinyi Commercial Operation Management Co., Ltd.\* (鄭州中原錦藝商業運營管理有限公司);
- (e) the loan agreement dated 27 October 2021 entered into by Zhengzhou Changdu Asset Management Co., Ltd.\* (鄭州昌盾資產管理有限公司) as the lender, Zhengzhou Fengxiang Investment Co., Ltd.\* (鄭州豐祥投資有限公司) as the borrower and Mr. Cheng Jianxiong as the guarantor in relation to a loan of RMB215,000,000; and
- (f) the sale and purchase agreement dated 26 April 2021 entered into between Zhengzhou Changdun Asset Management Co., Ltd.\* (鄭州昌盾資產管理有限公司) and Zhengzhou Fengxiang Investment Co., Ltd.\* (鄭州豐祥投資有限公司) in relation to the 75% equity interests in Zhengzhou Jiachao Property Services Co., Ltd.\* (鄭州佳潮物業服務有限公司).

**LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Group.

**GENERAL**

1. The registered office of the Company is located at 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands.
2. The head office and principal place of business of the Company in Hong Kong is located at Unit 1407, 14th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
3. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
4. The principal share registrar and transfer office is Tricor Services (Cayman Islands) Limited at 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands.

5. The company secretary of the Company is Ms. Yeow Mee Mooi. Ms. Yeow, aged 59, graduated from The University of Southwestern Louisiana, the United States of America, with a bachelor degree in business administration. Ms. Yeow further obtained her post graduate diploma in financial management from The University of New England, Australia. Ms. Yeow is a certified practicing accountant of The Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia. Ms. Yeow has over 30 years' taxation, auditing and commercial experience in Hong Kong. Ms. Yeow is now a director of a management consulting firm in Hong Kong.

**DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://artgroup.etnet.com.hk>) for not less than 14 days from the date of this circular (both days inclusive):

- (i) the annual reports of the Company for the years ended 30 June 2019, 30 June 2020, and 30 June 2021, and the interim report of the Company for the six months ended 31 December 2021; and
- (ii) the Second Supplemental Agreement.

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## NOTICE OF THE EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Art Group Holdings Limited (the “Company”) will be held by way of electronic means (via ZOOM MEETING ONLY) on Wednesday, 31 August 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

#### ORDINARY RESOLUTION

“**THAT**

- (a) The Second Supplemental Agreement (as defined in the circular of the Company dated 12 August 2022) and the transactions (including the Loan) contemplated thereunder be and are hereby approved.
- (b) Any one director of the Company be and is hereby authorised to do all such act or things and sign all such documents, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Second Supplemental Agreement and the transactions (including the Loan) contemplated thereunder.”

By order of the Board  
**Art Group Holding Limited**  
**Chen Jinyan**  
*Chairman*

Hong Kong, 12 August 2022

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## NOTICE OF THE EGM

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*Registered Office:*

2nd Floor, Century Yard  
Cricket Square  
P.O. Box 902  
Grand Cayman KY1-1103  
Cayman Islands

*Head Office and principal place  
of business in Hong Kong:*

Unit 1407, 14th Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Notes:*

1. In view of the current COVID-19 situation in Hong Kong, the EGM will be held by electronic means (via ZOOM MEETING ONLY). If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman of the EGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time for holding the EGM (i.e. Monday, 29 August 2022 at 11:00 a.m.) or any adjournment thereof.
3. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending the EGM or any adjournment thereof, should he so wish.
4. The register of members of the Company will be closed from Friday, 26 August 2022 to Wednesday, 31 August 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 25 August 2022.
5. A form of proxy for use at the EGM is enclosed.
6. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM but before it has commenced, the EGM will be postponed. The Company will publish an announcement on the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://artgroup.etnet.com.hk> to notify Shareholders of the date, time and place of the rescheduled meeting.

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## NOTICE OF THE EGM

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7. Shareholders who would like to view, speak at and listen to the EGM through a live webcast will need to register by sending an email to the share registrar of the Company in Hong Kong, Tricor Investor Services Limited (the “**Registrar**”) at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or via telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong Public holidays) no later than Monday, 29 August 2022 at 11:00 a.m. (being not less than forty-eight (48) hours before the time appointed for holding the EGM) to enable the Company to verify the Shareholders’ status. Authenticated Shareholders will receive an email confirmation by 30 August 2022, which contains a link to join the EGM via ZOOM MEETING. Shareholders **MUST NOT** forward the link to other persons who are not the Shareholders and who are not entitled to attend the EGM.
  
8. Shareholders may submit any questions they may have in advance in relation to the resolution set out in the notice of EGM by 11:00 a.m. on Monday, 29 August 2022 (being not less than forty-eight (48) hours before the time appointed for holding the EGM) via email to the Company’s branch share registrar, Tricor Investor Services Limited at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or via telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays). The Board will address the questions during the EGM proceedings.

As at the date of this notice, the Board comprises the following directors:

*Executive directors:*

Mr. Chen Jinyan (*Chairman*)

Mr. Chen Jindong

*Independent non-executive directors:*

Mr. Kwan Chi Fai

Mr. Lin Ye

Ms. Chong Sze Pui Joanne

Ms. Wong Yueqin