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)

2017 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Art Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the "Group") for the six months ended 31 December 2017 (the "Period"), which were reviewed by the auditor and the audit committee of the Company, together with the comparative figures for the corresponding period in 2016 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

		Six months ended	
		31.12.2017	31.12.2016
		(unaudited)	(unaudited)
	NOTES	***HK$'000***	*HK$'000*
Turnover		**96,971**	87,059
Cost of sales		**(27,957)**	(30,158)
Gross profit		**69,014**	56,901
Other income		**5,790**	5,587
Administrative expense		**(12,210)**	(13,492)
Other expenses		**(715)**	(429)
Finance costs	*4*	**(15,841)**	(21,364)
Profit before tax		**46,038**	27,203
Income tax expense	*5*	**(5,535)**	(10)

	NOTES	Six months ended 31.12.2017 (unaudited) HK$'000	31.12.2016 (unaudited) HK$'000
Profit for the period	*6*	**40,503**	27,193
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation		**–**	(100,512)
Other comprehensive loss for the period (net of tax)		**–**	(100,512)
Total comprehensive income/(loss) for the period		**40,503**	(73,319)
Profit for the period attributable to:			
Owners of the Company		**28,915**	18,955
Non-controlling interests		**11,588**	8,238
		40,503	27,193
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**28,915**	(62,196)
Non-controlling interests		**11,588**	(11,123)
		40,503	(73,319)
EARNINGS PER SHARE	*8*		
Basic *(HK cents per share)*		**1.08**	0.71 *(Note)*
Diluted *(HK cents per share)*		**1.07**	0.71 *(Note)*

Note: Adjusted for the effect of the bonus issue on 28 November 2016.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	31.12.2017 (unaudited) HK$'000	30.6.2017 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,158**	7,478
Investment properties		**2,994,253**	2,994,253
Goodwill		**63,549**	63,549
		3,064,960	3,065,280
CURRENT ASSETS			
Trade and other receivables	*9*	**26,837**	25,892
Bank balances and cash		**30,791**	30,459
		57,628	56,351
CURRENT LIABILITIES			
Trade and other payables	*10*	**358,141**	358,177
Tax liabilities		**8,982**	8,281
Secured bank and other borrowings		**82,759**	70,115
		449,882	436,573
NET CURRENT LIABILITIES		**(392,254)**	(380,222)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,672,706**	2,685,058

	NOTES	31.12.2017 (unaudited) HK$'000	30.6.2017 (audited) HK$'000
CAPITAL AND RESERVES			
Share capital		**26,850**	26,850
Share premium and reserves		**1,326,799**	1,297,884
Equity attributable to owners of the Company		**1,353,649**	1,324,734
Non-controlling interests		**327,465**	315,877
Total equity		**1,681,114**	1,640,611
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**436,498**	436,497
Secured bank and other borrowings		**529,885**	582,759
Bonds		**25,209**	25,191
		991,592	1,044,447
		2,672,706	2,685,058

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKAS 40	Transfer of Investment Properties[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS	Annual Improvements to HKFRS 2014-2016 Cycle[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15 and Clarifications to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC) 22	Foreign Currency Translation and Advance Consideration[1]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *Effective for annual periods beginning on or after 1 January 2018 except for HKFRS 12 Amendments which are effective for annual periods beginning on or after 1 January 2017*

[4] *Effective for annual periods beginning on or after a date to be determined*

The directors of the Company anticipate that the application of these new or revised standards and amendments will have no material effect on how the results and the financial position of the Group are prepared and presented.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the lease payments received and receivable in the normal course of business, net of related taxes for the period. The Group is engaged in the property operating during the period.

Information reported to the Board of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Therefore, the chief operating decision maker only considers the Group's business from a product perspective, rather than from a geographic perspective. From a product perspective, management assesses the performance from property operating for the periods ended 31 December 2016 and 2017.

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3 to the consolidated financial statements of the Company's 2017 annual report. Segment result represents the profit or loss from the segment without allocation of income tax expense and central administration costs.

One tenant contributed to 10 per cent or more of the Group's turnover for the period ended 31 December 2017 (2016: One).

Turnover from major business services:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Rental income from leasing of properties	**96,971**	87,059

The chief operating decision maker assesses the performance of the operating segment based on sales and net profit.

	Property operating *HK$'000*
Six months ended 31 December 2017	
Turnover	**96,971**
Segment result	**52,165**
Income tax expense	**(5,535)**
Central administration costs	**(6,127)**
Profit for the period	**40,503**
Depreciation	**1,053**

	Property operating *HK$'000*
Six months ended 31 December 2016	
Turnover	87,059
Segment result	34,389
Income tax expense	(10)
Central administration costs	(7,186)
Profit for the period	27,193
Depreciation	1,014

4. FINANCE COSTS

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on		
– Bank and other borrowings wholly repayable within five years	**–**	4,480
– Bank and other borrowings wholly repayable over five years	**14,810**	15,855
– Bonds	**1,031**	1,029
	15,841	21,364

5. INCOME TAX EXPENSE

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income tax recognised in profit and loss		
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")		
– Current income tax	**5,535**	10

Hong Kong Profits Tax was calculated at 16.5% (1.7.2016 to 31.12.2016: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong during the periods ended 31 December 2016 and 2017.

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%.

The Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax has been provided for in the condensed consolidated financial statements in respect of the undistributed profits earned by the Company's 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.

6. PROFIT FOR THE PERIOD

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,053**	1,018
Bad debts	**–**	429
Interest income	**(26)**	(44)

7. DIVIDEND PAID

No dividend was paid or proposed during the period nor has any dividend been proposed since the end of the reporting period (2016: Nil).

8. EARNINGS PER SHARE

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
EARNINGS PER SHARE		
Basic *(HK cents per share)*	**1.08**	0.71
Diluted *(HK cents per share)*	**1.07**	0.71

The calculation of the basic and diluted earnings per share attributable to the owners of the Company was based on the following data:

	Six months ended	
	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to the owners of the Company and earnings for the purposes of basic and diluted earnings per share	**28,915**	18,955

	Six months ended	
	31.12.2017	31.12.2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,685,005**	2,678,413
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**5,192**	6,100
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,690,197**	2,684,513

Note: Adjusted for the effect of the bonus issue on 28 November 2016.

9. TRADE AND OTHER RECEIVABLES

There are no specific credit terms given to the tenants. Monthly rentals in respect of retail properties are payable in advance by tenants in accordance with the leases. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented at the end of the reporting period, which approximated the respective revenue recognition dates:

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**8,466**	9,690
Over 90 days	**55**	121
Trade receivables	**8,521**	9,811
Prepayment and other receivables	**18,316**	16,081
	26,837	25,892

10. TRADE AND OTHER PAYABLES

	31.12.2017	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Received in advance	**30,741**	26,293
Deposits received from tenants	**28,605**	25,151
Amount due to a substantial shareholder *(Note)*	**286,035**	293,852
Accrued charges and other payables	**12,760**	12,881
	358,141	358,177

Note: The amount is a loan provided by a substantial shareholder to repay part of other borrowings at a high interest rate. The amount is unsecured, interest free and has no fixed term of repayment.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Review

The Group was engaged in the property operating segment during the Period through holding 75% equity interests in 鄭州佳潮物業服務有限公司 (Zhengzhou Jiachao Property Services Company Limited) ("Jiachao") by the Company's indirect wholly-owned subsidiary registered in the PRC. The major asset of Jiachao is a shopping mall situated in Zhengzhou City, Henan Province, the PRC (the "Jiachao's Shopping Mall"). The Group owns the Jiachao's Shopping Mall and generates revenue from the monthly incomes of rental, management and operating services payable by various tenants under the respective tenancy agreements with a term ranging from one year to 16 years. The Jiachao's Shopping Mall is a one-stop shopping paradise with approximately 160 tenants that offer a wide range of services and goods including shopping, dining and entertainment, such as a renowned department store, a cinema, KTV, jewelries, beauty shops, electrical appliances shops, international labels for fashion, lifestyle, casual wear/sport, kid's paradise and restaurants. All shop units in the Jiachao's Shopping Mall were rented out as at 31 December 2017.

Furthermore, the Group diversified its operations into different areas of the property operating segment in order to explore future prospects and develop relevant markets through holding the entire equity interests in 鄭州佳聰物業服務有限公司 (Zhengzhou Jiacong Property Services Company Limited) ("Jiacong") by an indirect wholly-owned PRC subsidiary of the Company. The major asset held by Jiacong is 164 shops in a giant theme shopping mall (the "Jiacong's Shops") situated in Zhengzhou City, Henan Province, the PRC. As at 31 December 2017, all of the Jiacong's Shops had been rented out for a term of more than three years.

In addition, Jiachao leased from a real estate developer shop units in a shopping mall (the "Zone C Shopping Mall") for a term of two years ending by the end of 2019. The Zone C Shopping Mall is a shopping mall located adjacent to the Jiachao's Shopping Mall. Jiachao promoted and further rented out the Zone C Shopping Mall to independent tenants. Jiachao has an advantage of having an existing team of caliber and experienced management and staff to run the Zone C Shopping Mall. As such, the extra costs for running the Zone C Shopping Mall is minimal to Jiachao while it is earning considerable amount of rental income from renting out the Zone C Shopping Mall 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 Jiachao will bring positive benefits and synergy effects on the customer flow and the tenant grade to the Group, which eventually contributes to turnover and profit margin of the property operating business of the Group. As at 31 December 2017, all the commercial space 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 over 140 tenants including a cinema, an aquarium, beauty shops, international labels for fashion, fitness, lifestyle, casual wear/sport, kid's paradise and restaurants.

Turnover

For the Period, the Group recorded a turnover of approximately HK$96,971,000 (2016: HK$87,059,000), approximately 11.4% more than that in the corresponding period in 2016. Since the Group holds the Jiachao's Shopping Mall and the Jiacong's Shops as investment properties during the Period, turnover of the Group included the monthly incomes of rental, management and operating services received and receivable from the tenants. Turnover of the Group also included the incomes generated from renting out the Zone C Shopping Mall to tenants. Increase in turnover during the Period was due to the increase in rentals of the Jiachao's Shopping Mall, the Jiacong's Shops and the Zone C Shopping Mall.

Gross Profit

The gross profit margin was approximately 71.2% for the Period (2016: 65.4%). High gross profit margin was due to its simple costs of sales based on the business nature, such as electricity and heat supply charges, public security and hygiene expenses, repair and maintenance fees etc. Gross profit margin increased during the Period because of the increase in rentals of the Jiachao's Shopping Mall, the Jiacong's Shops and the Zone C Shopping Mall and the decrease of costs of sales as a result of the implementation of some financial control policies.

Profit for the Period

The Group's profit generated for the Period was approximately HK$40,503,000 (2016: HK$27,193,000). The profit margin was 41.8% for the Period (2016: 31.2%). As a consequence of (1) an increase in rentals of the Jiachao's Shopping Mall, the Jiacong's Shops and the Zone C Shopping Mall, (2) a decrease in cost of sales and administrative expenses due to the implementation of some financial control policies and (3) a decrease in finance costs owing to the repayment of a borrowing with high interest rate during the six months ended 31 December 2016, there was eventually an increase in both profit for the Period and the profit margin.

Other Income

Other income for the Period was approximately HK$5,790,000 (2016: HK$5,587,000), which was other kinds of incomes earned by Jiachao, such as car parking fees and other services provided to tenants, which were maintained at the similar levels during the six months ended 31 December 2017 and 2016, respectively.

Expenses

Administrative expenses amounted to approximately HK$12,210,000 (2016: HK$13,492,000), representing approximately 12.6% (2016: 15.5%) of turnover for the Period. Administrative expenses decreased by approximately 9.5% when compared with that of the corresponding period in 2016 because the Group reduced the expenditures through the implementation of some financial control policies during the Period while there were professional fees incurred for bonus issue and change of the Company's name during the period ended 31 December 2016.

Other expenses amounted to approximately HK$715,000 (2016: HK$429,000), representing approximately 0.7% (2016: 0.5%) of turnover for the Period. The increase was due to the exchange differences arisen from the slight appreciation of RMB during the Period.

Finance costs amounted to approximately HK$15,841,000 (2016: HK$21,364,000), representing approximately 16.3% (2016: 24.5%) of turnover for the Period. The decrease was due to the repayment of a borrowing with high interest rate during the six months ended 31 December 2016.

Dividend

The Board does not recommend the payment of an interim dividend for the Period (2016: Nil).

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 the relevant markets, with a view to enhance the Company's development and to maximize the shareholders' return. By doing this, the Group is engaged in property operating business and owns two properties for rental purpose, namely the Jiachao's Shopping Mall and the Jiacong's Shops. Both properties are situated in Zhengzhou City, Henan Province, the PRC.

The Group's long-term plans are to upgrade its tenants of the Jiachao's Shopping Mall by offering tenancies to more popular brands and will continue to 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 rental income and fairly rigid cash flow can be continuously generated to the Group. The Jiacong's Shops are in the giant theme shopping mall selling textile materials, accessories and products. The extensive knowledge, experience and network of the directors of the Company in the textile business enables the Group to grasp decisive opportunities in the promotion of renting these shops; hence, more suitable and profitable textile business operators are identified as target tenants of the Jiacong's Shops.

Apart from investing into the Jiachao's Shopping Mall and the Jiacong's Shops, the Group provides rental, management and operating services by leasing the Zone C Shopping Mall from its real estate developer in order to expand the source of income through its present various resources. During the Period, an indirect wholly-owned PRC subsidiary of the Company entered into a lease for a shopping mall (the "Longwu Shopping Mall") located in the countryside of Zhengzhou City, Longwu Town, for a term of 10 years. The Longwu Shopping Mall is still under construction and expected to be completed in the mid of 2018, which is the commencement date of the lease. The Longwu Shopping Mall is targeted to be leased out as retail shops, restaurants and/or for entertainment and leisure use which offers a wide range of services and goods including an aquarium, fashion, lifestyle, premium supermarket and food and beverages restaurants. More caliber and experienced management and staff will be recruited to operate the Longwu Shopping Mall. Since the Longwu Shopping Mall is expected to be the largest commercial complex in that area after its erection with comprehensive and coherent facilities, such as government bodies, educational institutions and hospitals, the population is expected to surge as a result of the development of residencies nearby in next few years. Besides, travelling time from the Longwu Shopping Mall to either Zhengzhou City or Xinzheng International Airport is approximately 30 minutes, which accelerates the growth of the whole district.

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 property operating markets, 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 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 markets. The Jiachao's Shopping Mall and the Jiacong's Shops 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 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 that advocated by the PRC's government. By continually diversifying the Group's business, the market value of the Company and the return to its shareholders will be maximized in long-term.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had net current liabilities and total assets less current liabilities of approximately HK$392,254,000 (30 June 2017: HK$380,222,000) and HK$2,672,706,000 (30 June 2017: HK$2,685,058,000), respectively. The Group had maintained its financial position by financing its operations with internally generated resources, bonds and loans. As at 31 December 2017, the Group had cash and bank deposits of approximately HK$30,791,000 (30 June 2017: HK$30,459,000). The current ratio of the Group was approximately 12.8% (30 June 2017: 12.9%).

Total equity of the Group as at 31 December 2017 was approximately HK$1,681,114,000 (30 June 2017: HK$1,640,611,000). As at 30 June 2017, the total borrowings of the Group, repayable from within 12 months to seven years from the end of the reporting period, denominated in RMB533,000,000 were equivalent to approximately HK$612,644,000 (30 June 2017: HK$652,874,000) and three bonds measured at amortised cost was HK$25,209,000 (30 June 2017: HK$25,191,000). As at 31 December 2017, the gross debt gearing ratio (i.e. total borrowings and bonds/shareholders' fund) was approximately 37.9% (30 June 2017: 41.3%).

The Group 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 31 December 2017, the total borrowing facilities of the Group amounted to approximately HK$612,644,000 (30 June 2017: HK$652,874,000), of which, all facilities (30 June 2017: all facilities) was utilised. In addition, three bonds (30 June 2017: three bonds) amounted to approximately HK$25,209,000 in aggregate (30 June 2017: HK$25,191,000), measured at amortised cost, were arranged with three 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 31 December 2017, the share capital of the Company comprises ordinary shares only.

On the capital structure of the Company, the authorised share capital of the Company was increased from HK$20,000,000 divided into 2,000,000,000 shares to HK$50,000,000 divided into 5,000,000,000 shares by the creation of an addition of 3,000,000,000 shares of HK$0.01 par value each in the capital of the Company during the six months ended 31 December 2016.

During the six months ended 31 December 2016, the Company also completed a bonus issue. As a result, a total number of 1,342,502,580 new shares were issued and allotted. Details of which are set out in note 25 to the consolidated financial statements of the Group in the Company's 2017 annual report, the circular of the Company dated 1 November 2016, and the announcements of the Company dated 16 November 2016 and 28 November 2016, respectively.

FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

During the Period, 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 31 December 2017, certain investment properties of the Group with aggregate carrying values of approximately HK$1,196,738,000 (30 June 2017: HK$1,196,738,000) were pledged to a bank to secure banking facilities granted to the Group.

STAFF POLICY

The Group had 169 employees altogether in the PRC and Hong Kong as at 31 December 2017. 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 (Cap. 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 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 Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company. Consequently, during the Period, the Company complied with the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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. Having made specific enquiry of all directors of the Company, all directors of the Company have complied with the code of conduct and the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Company has an audit committee with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process, risk management and internal controls of the Group. The audit committee comprised four members, all being independent non-executive directors.

During the Period, the audit committee reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Period and discussed auditing, risk management, internal control and financial reporting matters, such as the review of the interim report with the management.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at http://artgroup.etnet.com.hk. An interim report for the six months ended 31 December 2017 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, 23 February 2018

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.