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If you are in 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 shares in Art Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

PROPOSED GENERAL MANDATE TO ISSUE AND TO REPURCHASE SHARES PROPOSED RE-ELECTION OF DIRECTORS PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND NOTICE OF ANNUAL GENERAL MEETING

A letter from Board is set out on page 5 to 17 of this circular.

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular. A notice convening the AGM to be held at Suites 4610-4619, Jardine House, 1 Connaught Place, Central, Hong Kong on Thursday, 23 November 2023 at 11:00 a.m. is set out on pages 39 to 46 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the AGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

No beverage or refreshments will be served, and no corporate gifts will be distributed at the AGM.

30 October 2023

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 Company. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this circular misleading.

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is to be conditionally approved and adopted by an ordinary resolution of the Shareholders;
“AGM”	the annual general meeting of the Company to be convened and held at Suites 4610-4619, Jardine House, 1 Connaught Place, Central, Hong Kong on Thursday, 23 November 2023 at 11:00 a.m. or any adjournment thereof;
“Amended Rules”	the amendments to the Listing Rules relating to share schemes of listed issuers, which will take effect on 1 January 2023 pursuant to the Consultation Conclusions;
“Articles” or “Articles of Association”	the articles of association adopted by the Company on 14 December 2022 and currently in force;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Award”	Shares granted or to be granted under any share award scheme to be adopted by the Company;
“Board”	the board of Directors;
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Company”	Art Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its securities listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consultation Conclusions”	Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published by the Stock Exchange in July 2022;

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“Eligible Participants”	has the meaning as defined in “Appendix III – Summary of the Principal Terms of the New Share Option Scheme – New Share Option Scheme – (B) Eligible Participants” in this circular;
“Employee Participants”	has the meaning as defined in “Appendix III – Summary of the Principal Terms of the New Share Option Scheme – New Share Option Scheme – (B) Eligible Participants” in this circular;
“Existing Share Option Scheme”	the share option scheme of the Company approved and adopted pursuant to an ordinary resolution of the Shareholders at the annual general meeting of the Company held on 22 November 2013;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Issue Mandate”	a general mandate to be granted to the Directors at the AGM to allot, issue and otherwise deal with Shares not exceeding 20% of the number of issued Shares as of the date of passing the resolution plus the amount representing the aggregate number of Shares repurchased by the Company under the Repurchase Mandate;
“Latest Practicable Date”	26 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange;

DEFINITIONS

“New Share Option Scheme”	the new share option scheme of the Company proposed to be considered and adopted at the AGM, the principal terms of which are set out in Appendix III to this circular;
“Offer”	an offer for the grant of an Option made in accordance with the terms of the New Share Option Scheme;
“Option(s)”	option(s) to subscribe for the Shares granted pursuant to the New Share Option Scheme;
“PRC”	the People’s Republic of China;
“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the AGM to repurchase up to 10% of the number of issued Shares as of the date of passing of such resolution;
“Related Entity Participant(s)”	has the meaning as defined in “Appendix III – Summary of the Principal Terms of the New Share Option Scheme– New Share Option Scheme – (B) Eligible Participants” in this circular;
“Scheme Mandate Limit”	has the meaning as defined in “Appendix III – Summary of the Principal Terms of the New Share Option Scheme – New Share Option Scheme – (C) Maximum number of Shares” in this circular;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Share Schemes”	including the New Share Option Scheme and any share award scheme(s) adopted by the Company;
“Share Registrar”	the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;

DEFINITIONS

“Shareholder(s)”	the registered holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the price per Share at which a grantee may subscribe for the Shares on the exercise of an Option, as determined in accordance with the terms of the New Share Option Scheme;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs; and
“%”	per cent.

LETTER FROM THE BOARD



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 (*Chief Executive Officer*)

Independent non-executive Directors:

Mr. Kwan Chi Fai

Ms. Chong Sze Pui Joanne

Ms. Wang Yuqin

Registered office:

3rd 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 A, 1st Floor

Yun Tat Commercial Building

70-74 Wuhu Street, Kowloon

Hong Kong

30 October 2023

To the Shareholders

Dear Sir or Madam,

**PROPOSED GENERAL MANDATE TO ISSUE AND
TO REPURCHASE SHARES
PROPOSED RE-ELECTION OF DIRECTORS
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

I. INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the AGM relating to:

- (i) the grant of a general mandate to the Directors to allot, issue and deal with Shares not exceeding 20% of the number of issued Shares as at the date of resolution;

LETTER FROM THE BOARD

- (ii) the grant of a general mandate to the Directors to repurchase Shares not exceeding 10% of the number of issued Shares as at the date of resolution;
- (iii) the re-election of retiring Directors; and
- (iv) the proposed adoption of the New Share Option Scheme.

II. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the AGM, separate ordinary resolutions will be proposed to renew the general mandates given to the Directors (i) to allot, issue and otherwise deal with Shares not exceeding 20% of the number of issued Shares at the date of passing of the resolution; (ii) to exercise all powers of the Company to repurchase issued and fully paid Shares on the Stock Exchange up to a maximum of 10% of the number of issued Shares at the date of passing of the resolution; and (iii) to extend the general mandate granted to the Directors as mentioned in (i) above to allot, issue and deal with additional number of Shares representing the aggregate number of Shares repurchased by the Company under the Repurchase Mandate.

The Issue Mandate and the Repurchase Mandate shall continue in force during the period ending on the earliest of (a) the date of the next annual general meeting; (b) the date by which the next annual general meeting of the Company is required to be held by law or by its Articles; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

The existing Issue Mandate and the existing Repurchase Mandate granted to the Company by resolutions passed by the Shareholders in the annual general meeting of the Company on 14 December 2022 will expire at the AGM. As at the Latest Practicable Date, the total number of issued Shares was 2,688,805,163 Shares. Assuming that there is no change in the number of issued Shares between the period from the Latest Practicable Date to the date of the AGM, and subject to the passing of the ordinary resolutions approving the Issue Mandate and the Repurchase Mandate, exercising the Repurchase Mandate in full will result in up to 268,880,516 Shares being purchased by the Company, and pursuant to the Issue Mandate, the Directors will be authorised to allot, issue or otherwise deal with up to 537,761,032 Shares, and to the extent the Repurchase Mandate is exercised, plus the additional number of Shares representing the aggregate number of Shares repurchased by the Company under the Repurchase Mandate.

LETTER FROM THE BOARD

Explanatory statement

An explanatory statement containing all relevant information relating to the proposed Repurchase Mandate is set out in Appendix I to this circular. The information in the explanatory statement is provided to you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant the Repurchase Mandate to the Directors.

III. PROPOSED RE-ELECTION OF RETIRING DIRECTORS

As at the Latest Practicable Date, the executive Directors were Mr. Chen Jinyan and Mr. Chen Jindong; and the independent non-executive Directors were Mr. Kwan Chi Fai, Ms. Chong Sze Pui Joanne and Ms. Wang Yuqin.

Pursuant to Article 87 of the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three (3) years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Pursuant to Article 86(3) of the Articles, any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Chen Jinyan and Ms. Chong Sze Pui, Joanne, who being eligible, will retire from office and offer themselves for re-election at the AGM.

The biographical details, interests in the Shares and other information required to be disclosed pursuant to rule 13.51(2) of the Listing Rules of the Directors proposed for re-election at the AGM are set out in Appendix II to this circular.

LETTER FROM THE BOARD

IV. TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The Existing Share Option Scheme

The Existing Share Option Scheme was adopted by the Company on 22 November 2013. Under the terms of the Existing Share Option Scheme, unless otherwise cancelled or amended, the Existing Share Option Scheme would remain in force for a period of ten (10) years from the date of its adoption. Accordingly, the Existing Share Option Scheme will expire on 21 November 2023. Apart from the Existing Share Option Scheme, the Company had no other subsisting share option scheme as at the Latest Practicable Date. Up to the Latest Practicable Date, the total number of Share option granted, exercised, forfeited/lapsed under the Existing Share Option Scheme amounted to 374,580,000 Share options (including 2,080,000 bonus issue shares), 91,520,000 Share options and 256,210,000 Share options, respectively. As at the Latest Practicable Date, there were in aggregate 26,850,000 Share options outstanding which will continue to be valid and exercisable during the prescribed exercisable period in accordance with the Existing Share Option Scheme after the Existing Share Option Scheme has expired. Details of the 26,850,000 Share options outstanding granted under the Existing Share Option Scheme are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	Vesting conditions
Employees	15 January 2018	15 January 2018- 14 January 2028	0.430	Nil

Upon expiry of the Existing Share Option Scheme, no further options may be granted but in all other respects, the provisions of the Existing Share Option Scheme shall remain in full force and effect. Therefore, the expiry of the Existing Share Option Scheme will not in any event affect the terms of such outstanding options that have already been granted under the Existing Share Option Scheme and the above outstanding options granted under the Existing Share Option Scheme shall continue to be subject to the provisions of the Existing Share Option Scheme.

For the avoidance of doubt, any Shares which may be issued upon the exercise of all outstanding Share options (to the extent not already exercised) granted under the Existing Share Option Scheme shall not be subject to the Scheme Mandate Limit under the Amended Rules.

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The New Share Option Scheme

In view of the Amended Rules and that the Existing Share Option Scheme is due to expire, the Board proposes to adopt the New Share Option Scheme. An ordinary resolution will be proposed at the AGM for approving the adoption of the New Share Option Scheme. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. So far as the Directors are aware, as at the Latest Practicable Date, none of the Shareholders is required to abstain from voting on the said resolution.

The purposes of the New Share Option Scheme are (i) to enable the Company to grant Options to the Eligible Participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote the long-term financial and business performance of the Company.

Under the rules of the New Share Option Scheme, the Board may offer to grant Option(s) to subscribe for such number of Shares to any Eligible Participant as the Board may from time to time in its discretion determine on a case-by-case basis. The Company believes that the authority given to the Board to select appropriate participants and to specify the terms and conditions in respect of any Options that may be granted, including the minimum holding period, performance targets, clawback mechanism and Subscription Price for such Options, will serve to protect the value of the Company as well as to achieve the purposes of retaining and motivating the participants to contribute to the development and growth of the Group for the benefit of the Shareholders. Accordingly, the Directors consider that it is in the interest of the Company to adopt the New Share Option Scheme.

In determining the basis of eligibility of each Eligible Participant, the Board may take into account the experience of the Eligible Participants in the Group's business, the length of service of the Eligible Participants with the Group, the amount of contribution the Eligible Participants has made or is likely to make towards the success of the Group and such other factors as the Board may at its discretion consider appropriate.

Under the New Share Option Scheme, Eligible Participants also include Related Entity Participants.

LETTER FROM THE BOARD

In determining the basis and criteria of eligibility of the Related Entity Participants, the Board may take into account the experience of the Related Entity Participant in the Group's business, the actual degree of involvement in and/or cooperation with the Group and/or the amount of support, assistance, guidance, advice, efforts and contributions the Related Entity Participant gave or is likely to give or make towards the success of the Group in the future.

Despite that the Related Entity Participants may not be directly appointed or employed by the Group, they are valuable resources given their close corporate relationship with the Group and as directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company, the Related Entity Participants have been and may be involved in the business engagements relating to or having connections with the Group's businesses.

The Group is principally engaged in property operating business. The related entities of the Group are involved in the property development. The Related Entity Participants have connections, expertise and knowledge in the property industry and have been involved in and given support to the business of the Group through services and advice provided including updated market information, studies and statistics, and connecting the Group to potential property targets for the Group's business development and expansion. They also take part in providing advice to the Group on formulating its business strategies, sharing their experiences, market and industry information, and in turn contribute to the growth and development of the Group. The Company wishes to recognise the importance of the past or future contribution of the Related Entity Participants and considers the inclusion of the Related Entity Participants as Eligible Participants will provide the Company with (i) the flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward and collaborate with such persons; and (ii) opportunities to align their interests and strengthen their loyalty with the Group, and to facilitate the leverage on their connection, resources and expertise for the Group's business development and needs in the long term. To include them as one of the categories of the Eligible Participants of the New Share Option Scheme may further strengthen their ties with the Group through equity incentives, which therefore is in line with the Company's business needs and industry norm, in the promotion of the long-term interests of the Company and its Shareholders and aligns with the purposes of the New Share Option Scheme.

LETTER FROM THE BOARD

The Board will take into account a number of quantitative and qualitative factors when assessing the eligibility of and the actual and potential contribution by the Related Entity Participants which will be determined on a case-by-case basis with additional evaluation aspect where the Board sees appropriate. In addition, the Board has the discretion to impose certain terms and conditions, such as vesting condition, performance target and clawback mechanism on Options to be granted to each Related Entity Participant. With this flexibility, there will be in a better position to assess the eligibility and contribution of each Related Entity Participant, and determine the terms of grant to align with the purposes of the New Share Option Scheme.

In respect of the eligibility of Employee Participants, the Board will consider, amongst others, (i) the individual performance assessed based on the Group's internal appraisal mechanism; (ii) the length of engagement with the Group; (iii) the individual contribution or potential contribution to the development and growth of the Group; and (iv) the market and industry practices.

The Directors (including the independent non-executive Directors) believe that the inclusion of the Employee Participants as a category of the Eligible Participants would (i) strengthen the employees' loyalty to the Group; (ii) provide incentives for a higher degree of participation and involvement in promoting the businesses of the Group; (iii) maintain a stable and long-term relationship with the employees; and (iv) enable the Group to attract and retain persons of talent.

The Company has not granted any share options to the Related Entity Participants under the Existing Share Option Scheme. However, having considered the above, the Directors (including the independent non-executive Directors) consider that the proposed inclusion of such participants in the New Share Option Scheme fits the purposes of the New Share Option Scheme and is fair and reasonable and in the interests of the Company and the Shareholders because equity-based remuneration continues to be an important means of (i) ensuring alignment between the interests of Shareholders, Board members (including the independent non-executive Directors) and related entities of the Group in promoting the development of the Group; and (ii) incentivizing and promoting the past and future contributions of the Related Entity Participants and independent non-executive Directors as explained above.

LETTER FROM THE BOARD

Given the competitive landscape, it is important for the Group to keep abreast of the updated market information including the property market. The advices and contributions of the Related Entity Participants are and will be valuable to the Group's expansion and development, including in the formulation the Group's strategic plan and identifying potential property targets. The proposed category of the Related Entity Participants is in line with the Company's business needs, desirable and necessary from a commercial perspective and shall help maintain or enhance the competitiveness of the Group. Through the grant of the Options, the Eligible Participants and the Group will share a common goal in the growth and development of the Group's business, and Eligible Participants will reap additional rewards through their contribution. This aligns with the purposes of the New Share Option Scheme and is fair and reasonable in the long-term interests of the Company and its Shareholders.

Having considered that (i) equity-based remuneration continues to be an important means of ensuring alignment between the interests of Shareholders and all Board members, including the independent non-executive Directors, and (ii) independent non-executive Directors may provide crucial contributions to the Group's development and business in providing valuable insight and advices to the Group with their deep industry knowledge and professional background, the Board considers that inclusion of independent non-executive Directors in the Eligible Participants would allow the Group to keep its remuneration package competitive in order to attract and retain talent.

In order to avoid the potential that independent non-executive Directors may have bias in their decision-making or compromise their objectivity and independence, the Board considers that if any Option is to be granted to independent non-executive Directors, such Option shall not contain any performance-related element and shall not be subject to any performance target, and that the independent non-executive Directors must continue to comply with the independence requirements under Rule 3.13 of the Listing Rules. In addition, the Board will comply with the relevant requirements under Rule 17.04(4) of the Listing Rules that if any grant of Options to an independent non-executive Directors would result in the Shares issued and to be issued in respect of all the Options granted and to be granted to such person in the 12-month period up to and including the date of the grant representing in aggregate over 0.1% of the Shares in issue, such grant of options must be approved by Shareholders.

LETTER FROM THE BOARD

The vesting period for Options under the New Share Option Scheme shall not be less than 12 months from the date of acceptance of the Offer save and except for the circumstances set out in paragraph (G) “Vesting period and performance targets” in Appendix III to this circular where the vesting period may be shorter. To ensure the practicability in fully attaining the purposes of this New Share Option Scheme, there may be (i) certain instances where a strict twelve (12)-month vesting requirement would not work or would not be fair to the Options holder(s), such as those set out in paragraphs (i) to (iii) of paragraph (G) to Appendix III to this circular; and (ii) a need for the Company to retain flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified, the Directors are of the view that the Company should be allowed discretions to formulate its own recruitment and retention strategies in response to changing market conditions and industry competition, attract talents or reward exceptional performers with accelerated vesting or in exceptional circumstances where justified. Accordingly, the Directors (including all the independent non-executive Directors) are of the view that the discretion in allowing a shorter vesting period in each of the circumstances as detailed above is appropriate and in line with the purposes of the New Share Option Scheme.

The New Share Option Scheme does not stipulate any performance target a grantee is required to achieve before an Option can be exercised nor any clawback mechanism for the Company to recover or withhold any Options granted to the Eligible Participants. However, the Board may at its discretion specify in the Offer letter any performance target(s) or condition(s) that need to be achieved before the exercise of an Option. Where the Board determines and sets any performance targets which shall be attained before the exercise of an Option granted to the grantee, such performance targets may include: (i) aggregate amount of revenue or business generated by the specific grantee during a financial year; (ii) annual growth on the revenue of the Group as compared to the immediately preceding financial year; or (iii) any measurable performance benchmark which the Board considers is relevant to the grantee. The Directors (including the independent non-executive Directors) believe that by giving the Board with more flexibility in setting out the terms and conditions of the Options under particular circumstances of each grant, the Company will be placed in a better position to offer meaningful incentive to attract and retain quality personnel and, through equity incentives, strengthen the ties with the persons that have been/are valuable to the development of the Group. It may not be practicable to expressly set out a generic set of performance targets in the rules of the New Share Option Scheme, as each grantee will play different roles and contribute in different ways to the Group. The Directors (including the independent non-executive Directors) consider that it is more beneficial to the Company to retain the flexibility to determine when and to what extent such conditions are appropriate in light of the particular circumstances of each grant, and therefore such arrangements align with the purpose of the New Share Option Scheme.

LETTER FROM THE BOARD

When assessing whether an Eligible Participant has contributed to the long-term financial and business of the Group, the Group would consider a number of performance indicators with reference to earnings, profits, sales, revenue and other goals determined by the Board from time to time, and assessed either annually or cumulatively over a period of time, on an absolute basis or relative to a pre-established target, previous years' results and other comparables. Generally, the Company will also utilize its internal assessment system to appraise and evaluate whether the Eligible Participants will contribute to the long-term growth of the Group on a case-by-case basis. Specifically, the Eligible Participants' expected contribution will be considered with reference to factors including but not limited to their past contributions to the Group, the nature of job duties or services, position within or related to the Group and other features including business strategy focus and corporate culture. Specific weightings will be given to the factors above in order to provide a fair and objective appraisal of the Eligible Participants before Options will be granted, such that the grants will be on a fair and reasonable basis and in the interest of the Company and its Shareholders as a whole. The Company will make relevant disclosure by way of announcement(s) to comply with Rule 17.06B of the Listing Rules when granting the Options to the Eligible Participants in the future.

None of the Directors is a trustee of the New Share Option Scheme or has any direct or indirect interest in the trustees of the New Share Option Scheme, if any.

Value of the Options

The Directors consider it inappropriate to disclose the value of Options which may be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date prior to the approval of the New Share Option Scheme. Any such valuation will have to be made on the basis of certain pricing model or other methodology, which depends on various assumptions, including exercise price, exercise period, interest rate, expected volatility and other variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution to approve and adopt the New Share Option Scheme by the Shareholders in the AGM; and

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme.

The New Share Option Scheme will become effective immediately upon the fulfillment of all the conditions for adoption of the New Share Option Scheme as referred to in the above. The Company has no current plan or intention to grant Options to the Eligible Participants under the New Share Option Scheme in the next 12 months after obtaining the Shareholders' approval at the AGM.

The Company has sought legal advice in respect of the New Share Option Scheme and understands that whilst the New Share Option Scheme is not restricted to executives and employees of the Group, the adoption of the New Share Option Scheme would not constitute an offer to the public and prospectus requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) is not applicable.

APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options that may be granted under the New Share Option Scheme.

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,688,805,163 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the Adoption Date, the maximum number of Shares which may be issued upon exercise of all Options and Awards to be granted under the New Share Option Scheme and other Share Schemes (if any), in aggregate will be 268,880,516 Shares, representing 10% of the Shares in issue as at the Adoption Date.

DOCUMENT ON DISPLAY

A copy of the rules of the New Share Option Scheme will be published on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <https://artgroup.etnet.com.hk/> for display for a period of not less than fourteen (14) days before the date of the AGM and the New Share Option Scheme will be made available for inspection at the AGM.

LETTER FROM THE BOARD

V. THE AGM AND CLOSURE OF REGISTER OF MEMBERS

A notice convening the AGM to be held at Suites 4610-4619, Jardine House, 1 Connaught Place, Central, Hong Kong on Thursday, 23 November 2023 at 11:00 a.m. is set forth on pages 39 to 46 of this circular.

The register of members of the Company will be closed from Monday, 20 November 2023 to Thursday, 23 November 2023 (both days inclusive), during which period no transfer of Shares will be registered, for the purpose of determining the Shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar for registration not later than 4:30 p.m. on Friday, 17 November 2023.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for the holding of the AGM (or any adjournment thereof) to the Share Registrar. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to procedural or administrative matter to be voted by a show of hands. Accordingly, each of the resolutions put to vote at the AGM will be taken by way of poll.

VI. RECOMMENDATION

The Directors consider that the proposed ordinary resolutions for the grant of the Issue Mandate, the Repurchase Mandate, the re-election of retiring Directors, and the proposed adoption of the New Share Option Scheme are in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors (including the independent non-executive Directors) recommend all Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

VII. GENERAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

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

The English text of this circular shall prevail over the Chinese text for purpose of interpretation.

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

APPENDIX I EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide all the information in relation to the Repurchase Mandate for your consideration.

LISTING RULES RELATING TO THE REPURCHASES OF SECURITIES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their fully-paid shares on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed purchase of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by the shareholders by an ordinary resolution, either by way of a general mandate or by a specific approval in relation to a specific transaction.

(ii) Share capital

Under the Repurchase Mandate, the number of Shares that the Company may repurchase shall not exceed 10% of the aggregate number of issued Shares at the date of the passing of the proposed resolution granting the Repurchase Mandate.

As at the Latest Practicable Date, the Company had 2,688,805,163 Shares in issue. Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the AGM, the exercise of the Repurchase Mandate in full would result in up to 268,880,516 Shares being repurchased by the Company during the period prior to (i) the next annual general meeting of the Company following the passing of the resolution referred to herein; or (ii) the date by which the next annual general meeting of the Company is required to be held by law or by the Articles; or (iii) the date upon which the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company, whichever occurs first.

(iii) Reason for repurchase

The Directors believe that it is in the interests of the Company and the Shareholders as a whole to have a general authority from the Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

(iv) Funding of repurchase

In repurchasing securities, a company may only apply funds legally available for such purpose in accordance with its constitutional documents and the laws of the jurisdiction in which the Company was incorporated.

The Company is empowered by the Articles to repurchase its Shares. The Cayman Islands law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the profit that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on redemption may only be paid out of either the profits that would otherwise be available for distribution by way of dividend or out of the share premium of the Company. Under the Cayman Islands laws, the repurchased Shares will remain part of the authorised but unissued share capital.

As compared with the financial position of the Company as at 30 June 2023 (being date of its latest audited accounts), the Directors consider that there would not be a material adverse impact on the working capital or gearing position of the Company if the Repurchase Mandate was to be exercised in full during the proposed repurchase period. The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital or the gearing level (as compared with the position disclosed in its most recent published audited accounts) of the Company.

(v) Connected parties

None of the Directors nor, to the best of the knowledge of the Directors having made all reasonable enquiries, any of their close associates has any present intention to sell Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

As at the Latest Practicable Date, no core connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company, nor has he/she undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

(vi) Undertaking by Directors

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

(vii) Takeovers Code

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code.

As at the Latest Practicable Date, the substantial Shareholders (as defined in the Listing Rules), together with their parties acting in concert (within the meaning of the Takeovers Code) and their respective close associates, were beneficially interested in 1,154,695,000 Shares representing approximately 42.94% of the issued Shares. In the event that the Directors exercise the Repurchase Mandate in full in accordance with the terms of the ordinary resolution to be proposed at the AGM, the interests of the substantial Shareholders, together with their parties acting in concert and their respective close associates, in the Company would be increased to approximately 47.72% of the issued Shares, which will give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code. However, the Directors do not have present intention to exercise the Repurchase Mandate to such an extent as would give rise to such an obligation.

The Directors confirm that the Repurchase Mandate will not be exercised to an extent where the amount of Shares held by the public will be reduced to below 25%.

SHARE PURCHASE MADE BY THE COMPANY

During six (6) months preceding the date of this circular, no Shares have been repurchased by the Company.

APPENDIX I EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve (12) months up to the Latest Practicable Date were as follows:–

Month	Price Per Share	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2022		
October	0.238	0.227
November	0.230	0.165
December	0.280	0.184
2023		
January	0.245	0.245
February	0.245	0.245
March	0.241	0.240
April	0.240	0.220
May	0.210	0.197
June	0.200	0.150
July	0.150	0.150
August	0.148	0.129
September	0.185	0.102
October (up to the Latest Practicable Date)	0.390	0.102

Note: The information on the share prices is extracted from the official website of the Stock Exchange.

APPENDIX II DETAILS OF RETIRING DIRECTORS WHO ARE PROPOSED TO BE RE-ELECTED AT THE AGM

The following sets out the details of the Directors who will retire and, being eligible, offer themselves for re-election at the AGM pursuant to the Articles.

1. **MR. CHEN JINYAN**

Mr. Chen Jinyan (陳錦艷) (“**Mr. Chen**”), aged 54, is the Chairman of the Company and is responsible for the Group’s operation. Mr. Chen has over nine (9) years of experience in property operations. Mr. Chen obtained a Diploma in the Design of Textile Products from the Textile Engineering Faculty of Jiangxi Textile Industry Academy (江西紡織工業學院) and thereafter had over twenty-eight (28) years of experience in the textile industry. He is the Executive Director and Executive Vice President of China Federation of Overseas Chinese Entrepreneurs (中國僑商聯合會) and the President of Henan Province Overseas Chinese Entrepreneurs (河南省僑商聯合會). He is the elder brother of Mr. Chen Jindong.

Mr. Chen has entered into a service contract with the Company for a term of two (2) years which commenced from 1 September 2022 and will continue thereafter for such period unless terminated earlier by either the Company or Mr. Chen by giving at least three (3) months’ notice in writing. He will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Articles. Mr. Chen’s remuneration has been fixed at approximately HK\$1,800,000 per annum. Save as disclosed above, the Board is not aware of any matter in relation to Mr. Chen that is required to be disclosed pursuant to paragraphs (h) to (w) of rule 13.51(2) of the Listing Rules or any other matter that needs to be brought to the attention of the holders of securities of the Company in relation to Mr. Chen’s re-election. As at the Latest Practicable Date, Mr. Chen was interested in 597,280,000 Shares, of which 3,800,000 Shares were held by Mr. Chen as a beneficial owner, and the remaining 593,480,000 Shares were held by a corporation controlled by Mr. Chen.

2. **MS. CHONG SZE PUI JOANNE**

Ms. Chong Sze Pui Joanne (張詩培) (“**Ms. Chong**”), aged 50, is appointed as an independent non-executive Director since December 2016. Ms. Chong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Institute of Chartered Accountants Ontario, Canada and a Certified Public Accountant of the America Institute of Certified Public Accountants. Ms. Chong obtained a Bachelor Degree of Commerce from the University of Melbourne in Australia in 1994. Ms. Chong has over twenty-three (23) years of experience in auditing, taxation and business development.

**APPENDIX II DETAILS OF RETIRING DIRECTORS WHO ARE
PROPOSED TO BE RE-ELECTED AT THE AGM**

Ms. Chong has entered into an appointment letter with the Company for a term of one (1) year commencing from 1 December 2016 subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. Ms. Chong is entitled to a director's fee of HK\$120,000 per annum. Save as disclosed above, the Board is not aware of any matter in relation to Ms. Chong that is required to be disclosed pursuant to paragraphs (h) to (w) of Rule 13.51(2) of the Listing Rules or any other matter that needs to be brought to the attention of the holders of securities of the Company in relation to Ms. Chong's re-election.

Save as disclosed hereof, as at the Latest Practicable Date, and to the best knowledge and belief of the Board, the Directors confirmed that:

- (a) each of Mr. Chen and Ms. Chong is not connected with any Director, senior management, substantial Shareholder or controlling Shareholder of the Company;
- (b) each of Mr. Chen and Ms. Chong has no other interests in the Shares which are required to be disclosed under Part XV of the SFO;
- (c) each of Mr. Chen and Ms. Chong did not hold any other directorships in listed public companies in the last three (3) years;
- (d) there is no information that needs to be disclosed pursuant to any of the requirements as set out in rule 13.51(2)(h) to (v) of the Listing Rules; and
- (e) the Company is not aware of any other matter that needs to be brought to the attention of the Shareholders and the Stock Exchange in relation to the re-election of Directors.

NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme to be approved at the AGM. It does not form part of, nor is it intended to be part of, the rules of the New Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the New Share Option Scheme required to be included in the New Share Option Scheme pursuant to the Listing Rules.

(A) Purposes of the New Share Option Scheme

The purposes of the New Share Option Scheme are (i) to enable the Company to grant Options to the Eligible Participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote the long-term financial and business performance of the Company.

(B) Eligible Participants

The Directors shall, in accordance with the provisions of the New Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten (10) years commencing from the date of the adoption of the New Share Option Scheme to make an offer to any of the following classes:

- (i) any Directors and employees of the Group (including persons who are granted options under the New Share Option Scheme as an inducement to enter into employment contracts with any member of the Group) (“**Employee Participants**”); and
- (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company (“**Related Entity Participants**”).

For the avoidance of doubt, the grant of any option by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the New Share Option Scheme.

The eligibility of any of the eligible participants to an offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to such eligible participants' experience in the business of the Group, the length of his/her service with the Group, his/her contribution to the development and growth of the Group and other factors as the Directors may at their discretion consider appropriate.

(C) Maximum number of Shares

- (i) The total number of Shares which may be allotted and issued in respect of all options to be granted under the New Share Option Scheme and any other share option schemes and share award schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue at the time at the date of the Shareholders' approval of the New Share Option Scheme, being 268,805,163 Shares ("**Scheme Mandate Limit**") unless the Company obtains an approval from the Shareholders pursuant to paragraphs (iii) and (iv) below. The options which are cancelled in accordance with the terms of the New Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit. The options which are lapsed in accordance with the terms of the New Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company shall not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.
- (ii) Without prejudice to paragraph (iv) below, the Company may seek approval of the Shareholders in a general meeting to refresh the Scheme Mandate Limit after three years from the approval of the Shareholders for the adoption of this New Share Option Scheme or the last refreshment.
- (iii) Any refreshment within any three year period must be approved by the Shareholders subject to:
 - (a) any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
 - (b) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements under paragraphs (a) and (b) above do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the scheme mandate (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole share.

- (iv) The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme and share award schemes of the Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the approval of the refreshed scheme mandate limit.

(D) Maximum entitlement of each Eligible Participant

Subject to paragraph (E) below, the total number of Shares issued and which may fall to be issued upon exercise of any option which may be granted under the New Share Option Scheme and any options or awards which may be granted under any other share option scheme and share award scheme of the Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) to each grantee in any 12-month period up to and including the date of such grant shall not exceed 1% of the issued share capital of the Company for the time being (“**1% Individual Limit**”). Where any further grant of options under the New Share Option Scheme to a grantee would result in the Shares issued and to be issued upon exercise of all options and awards granted and proposed to be granted to such person (including exercised, cancelled and outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) under the New Share Option Scheme and any other share option schemes and share award scheme of the Group in the 12-month period up to and including the date of such further grant exceeding the 1% Individual Limit, such further grant must be separately approved by the Shareholders in a general meeting with such grantee and their close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms of the options to be further granted to such Grantee must be fixed before shareholders’ approval. In respect of any options to be further granted, the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(E) Grant of Options to core connected persons

- (i) Without prejudice to (ii) below, the making of an offer under the New Share Option Scheme to any Director, chief executive or substantial Shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the New Share Option Scheme).
- (ii) Without prejudice to (i) above, where any grant of options under the New Share Option Scheme to an independent non-executive Director or a substantial Shareholder or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the New Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding but excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue.

Such further grant of options must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a participant who is a director, chief executive or substantial Shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in the manner as set out in this paragraph if the initial grant of the Options requires such approval (except where the changes take effect automatically under the existing terms of the New Share Option Scheme).

The requirements under this paragraph (E) do not apply to a proposed director or chief executive of the Company.

For the purpose of seeking the approval of the Shareholders under paragraphs (C), (D) and (E) above, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(F) Time of acceptance and exercise of an Option

An offer under the New Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a Business Day, on which the offer is made.

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to the grantee but in any event shall not be more than ten (10) years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Main Board or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(G) Vesting period and performance targets

Save for the circumstances prescribed below, an Option must be held by the Grantee for at least twelve (12) months before the Option can be exercised. The Board (or the remuneration committee of the Company where it relates to grants of options to an Employee Participant who is a Director) may at its discretion grant a shorter vesting period to an Employee Participant in the following circumstances:

- (i) grants of “make-whole” Options to new Employee Participants to replace the share awards they forfeited when leaving the previous employer;
- (ii) grants of Options to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event. In those circumstances the vesting of share awards may accelerate;
- (iii) grants of Options with performance-based vesting conditions provided in the New Share Option Scheme, in lieu of time-based vesting criteria;
- (iv) grants of Options that are made in batches during a year for administrative and compliance reasons. They may include share awards that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which an award would have been granted;
- (v) grants of Options with a mixed or accelerated vesting schedule such as where the option may vest evenly over a period of 12 months; and
- (vi) grants of Options with a total vesting and holding period of more than 12 months.

Each of which are considered appropriate to provide flexibility to grant Options (a) as part of competitive terms and conditions to induce valuable talent to join the Group (sub-paragraphs (i) and (v)); (b) reward past contribution which may otherwise be neglected due to administrative or technical reasons (sub-paragraphs (ii) and (iv)); (c) reward exceptional performers with accelerated vesting (sub-paragraph (v)); (d) to motivate exceptional performers based on performance metrics rather than time (sub-paragraph (iii)); and (e) in exceptional circumstances where justified (sub-paragraphs (i) to (vi)), which is consistent with the purpose of the New Share Option Scheme.

The Board may determine and set any performance targets, which shall be stated in the offer to the grantee, to be attained before the exercise of an option granted to the grantee as the Board may think fit. Such performance targets may include: (i) aggregate amount of revenue or business generated by the specific grantee during a financial year; (ii) annual growth on the revenue of the Group as compared to the immediately preceding financial year; or (iii) any measurable performance benchmark which the Board considers is relevant to the grantee.

(H) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(I) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank equally in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(J) Restrictions on the time of grant of Options

For so long as the Shares are listed on the Stock Exchange, an offer may not be made after inside information has come to the Company's knowledge until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's result for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

The Directors may not make any offer to an eligible participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares under such circumstances as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(K) Period of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the New Share Option Scheme is adopted.

(L) Rights of ceasing employment

If the grantee is an Employee Participant and in the event of his ceasing to be an Employee Participant for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in (N) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

(M) Rights on death, ill-health or retirement

If the grantee is an Employee Participant and in the event of his ceasing to be an Employee Participant by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not. If any of the events referred to in paragraphs (P) and (Q) below occurs during such period, he or she may exercise the option pursuant to paragraphs (P) and (Q) respectively.

(N) Rights on dismissal

In respect of a grantee who is an Employee Participant, if the grantee ceases to be an Employee Participant by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an Employee Participant.

(O) Rights on breach of contracts

In respect of a grantee other than an Employee Participant, the Directors shall at their absolute discretion determine that (i) (1) such grantee has committed any breach of any contract entered into between such grantee on the one part and the Group on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(1) to (3).

(P) Rights on a general offer, a comprise or an arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the grantee shall, notwithstanding any other terms on which his/her option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(Q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the New Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation equally with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(R) Grantee being a company wholly-owned by Eligible Participants

If the grantee is a company wholly-owned by an eligible participant:

- (i) the provisions of paragraphs (M), (L), (N) and (O) above shall apply to the grantee and to the option granted to such grantee, mutatis mutandis, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (M), (L), (N) and (O) above shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(S) Adjustment of the subscription price

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the New Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of the Company, then, in any such case the Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the New Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or
- (ii) the subscription price of any option; and/or
- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the grantee the same proportion of the issued share capital of the Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes), rounded to the nearest whole share, for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the relevant provisions of the Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(T) Cancellation of Options

Subject to the provisions in the New Share Option Scheme and the Listing Rules, any option granted may not be cancelled except with the prior written consent of the relevant grantee and the approval of the Directors.

Where the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with the available Scheme Mandate Limit or the limits approved by the Shareholders pursuant to paragraph (C)(iii) or (C)(iv) above (excluding, for this purpose, the options so cancelled).

(U) Termination and clawback of the New Share Option Scheme

The Company by an ordinary resolution in a general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be offered but in all other respects the provision of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

Unless otherwise determined by the Board and specified in the Offer letter to a grantee, the New Share Option Scheme does not stipulate any performance target a grantee is required to achieve before an Option can be exercised nor any clawback mechanism for the Company to recover or withhold any Options granted to the Eligible Participants.

(V) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so, unless a waiver is granted by the Stock Exchange allowing the transfer of the option to a vehicle for the benefit of the grantee and any family members of such grantee for estate planning and tax planning purposes that would continue to meet the purpose of the New Share Option Scheme and the Listing Rules. Any breach of the foregoing by a grantee shall entitle the Company to cancel any option granted to such grantee to the extent not already exercised.

(W) Lapse of Option

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (L), (M), (N), (O), (P), (Q) and (R) above.

(X) Conditions of the New Share Option Scheme

The New Share Option Scheme is conditional upon:

- (1) the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the Scheme Mandate Limit to be allotted and issued by the Company pursuant to the exercise of options in accordance with the terms and conditions of the New Share Option Scheme; and
- (2) the passing of the necessary resolution to approve and adopt the New Share Option Scheme in a general meeting or by way of written resolution of the Shareholders.

(Y) Alterations

Save for the provisions prescribed below, the specific terms of the New Share Option Scheme may be altered in any respect by a resolution of the Board without the approval of Shareholders of the Company in a general meeting.

- (i) Any alterations to the provisions of the New Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of grantees or prospective grantees must be approved by the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of the Shares under the Articles of Association for the time being of the Company for a variation of the rights attached to the Shares.
- (ii) Subject to paragraph (iv) below, change to the terms of options granted to a participant must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) except (aa) where the alterations take effect automatically under the existing terms of the New Share Option Scheme and (bb) those matters under paragraph (i) above. This requirement does not apply where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

- (iii) The terms of the New Share Option Scheme and/or any option amended must comply with the applicable requirements of Chapter 17 of the Listing Rules.

- (iv) Any change to the authority of the Directors or the administrators of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in a general meeting.

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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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Art Group Holdings Limited (the “**Company**”) will be held at Suites 4610-4619, Jardine House, 1 Connaught Place, Central, Hong Kong on Thursday, 23 November 2023 at 11:00 a.m. for the following purposes:–

ORDINARY BUSINESS

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2023 and the reports of the directors (the “**Directors**”) and the independent auditor of the Company for the year ended 30 June 2023.
2. (A) To re-elect Mr. Chen Jinyan as an executive Director.

(B) To re-elect Ms. Chong Sze Pui Joanne as an independent non-executive Director.
3. To authorise the board of Directors to fix the remuneration of the Directors.
4. To re-appoint the auditor of the Company and to authorise the board of Directors to fix the remuneration of the auditor of the Company.

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ORDINARY RESOLUTIONS

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

(A) **“THAT**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the total number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; (iii) the exercise of any option under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers, employees of the Company and/or any of its subsidiaries or other eligible persons of shares or rights to acquire shares in the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20% of the number of issued shares of the Company at the date of this Resolution and the said approval shall be limited accordingly; and

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- (d) for the purposes of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
- (iii) the date of which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).”

(B) “**THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase shares of the Company, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the total number of shares of the Company which may be purchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the number of issued shares of the Company as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

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(c) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT** conditional upon Resolutions 5(A) and 5(B) set out above being passed, the aggregate number of shares of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution 5(B) above shall be added to the number of shares of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Resolution 5(A) above.”

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6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) (i) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options to be granted under the rules of the new share option scheme of the Company (the “**New Share Option Scheme**”, a copy of which having been produced to the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification and a summary of the principal terms of which are set out in the circular of the Company dated 30 October 2023); and (ii) with effect from the close of business of the day on which this resolution is passed, the New Share Option Scheme be and is hereby approved and adopted as the share option scheme of the Company and that the Directors be and are hereby authorised to approve any amendments to the rules of the New Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at the Director’s absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the New Share Option Scheme and to do all such acts, to sign (whether under hand or under seal or as a deed) all such documents and to enter into all such transactions and arrangements as the Directors may consider necessary, desirable or expedient in order to give effect to the New Share Option Scheme; and

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- (b) the Scheme Mandate Limit (as defined in the New Share Option Scheme) on the total number of Shares that may be issued in respect of all options and awards to be granted to the eligible participants under all the share schemes of the Company (i.e. 10% of the Shares in issue as at the date of passing of this resolution) be and is hereby approved and adopted and the Directors be and are hereby authorised to take all such steps and attend all such matters, approve and execute (whether under hand or under seal or execute as a deed) such documents and do such other things, for and on behalf of the Company, as the Directors may consider necessary, desirable or expedient to effect and implement the Scheme Mandate Limit.”

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

Hong Kong, 30 October 2023

Registered office:–

3rd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

Principal place of business in Hong Kong:–

Unit A, 1st Floor
Yun Tat Commercial Building
70-74 Wuhu Street, Kowloon
Hong Kong

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Notes:

1. Any shareholder entitled to attend and vote at the annual general meeting of the Company is entitled to appoint one or, if he is holder of more than one share, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting or at any adjournment thereof, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. The register of members of the Company will be closed from Monday, 20 November 2023 to Thursday, 23 November 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 17 November 2023.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the annual general meeting of the Company (or any adjournment thereof).
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
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 AGM but before it has commenced, the AGM will be postponed. The Company will publish an announcement on the HKExnews website of the Stock Exchange at <https://www.hkexnews.hk> and on the website of the Company at <https://artgroup.etnet.com.hk> to notify Shareholders of the date, time and place of the rescheduled meeting.
7. Delivery of the form of proxy will not preclude a member from attending and voting in person at the annual general meeting of the Company convened and, in such event, the form of proxy shall be deemed to be revoked.
8. No beverage or refreshments will be served, and no corporate gifts will be distributed at the AGM.

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9. The translation into Chinese language of the above notice is for reference only. In case of any inconsistency, the English version shall prevail.

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

Ms. Chong Sze Pui Joanne

Ms. Wang Yuqin