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If you are in doubt as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Art Textile Technology International Company Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED
錦藝紡織科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 565)

**PROPOSED CANCELLATION OF SHARE OPTIONS,
PROPOSED REFRESHMENT OF THE 10% LIMIT
ON THE GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF EGM**

A letter from the Board is set out on pages 3 to 7 of this circular.

A notice dated 4 December 2009 convening the EGM of the Company to be held at Fung Shui II Room, 6th Floor, Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on Wednesday, 23 December 2009 at 11:30 a.m., is set out on pages 8 to 9 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 extraordinary general meeting (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4 December 2009

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

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DEFINITIONS

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

“2003 Options”	the share options in respect of a total of 33,250,000 Shares as set out in the paragraph headed “Proposed Cancellation of Share Options – The 2003 Options” of this circular granted by the Company pursuant to the Share Option Scheme on 23 December 2003;
“2006 Options”	the share options in respect of a total of 23,000,000 Shares as set out in the paragraph headed “Proposed Cancellation of Share Options – The 2006 Options” of this circular granted by the Company pursuant to the Share Option Scheme on 11 December 2006;
“2007 Options”	the share options in respect of a total of 29,200,000 Shares as set out in the paragraph headed “Proposed Cancellation of Share Options – The 2007 Options” of this circular granted by the Company pursuant to the Share Option Scheme on 14 September 2007;
“Articles”	the articles of association of the Company;
“associate”	has the meaning ascribed to this term under rule 1.01 of the Listing Rules;
“Board”	the board of Directors;
“Chairman”	chairman of the Board;
“Company”	Art Textile Technology International Company Limited, a company incorporated in the Cayman Islands with limited liability with its securities listed on the Stock Exchange;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 23 December 2009 at 11:30 a.m. at Fung Shui II Room, 6th Floor, Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong;
“General Scheme Limit”	10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or the date of approval of the refreshment of the general scheme limit (as the case may be) which may be issued upon exercise of all options granted/to be granted under the Share Option Scheme and other scheme(s) of the Group;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“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;
“Latest Practicable Date”	1 December 2009, 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;
“Mr. Chen”	Mr. Chen Jinyan, an executive Director, the chairman and a substantial shareholder of the Company;
“Option Holders”	the holders of the 2003 Options, 2006 Options and 2007 Options;
“Shares”	the ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholders”	the shareholders of the Company from time to time;
“Share Option Scheme”	the share option scheme of the Company adopted on 16 August 2003;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules; and
“%”	per cent.

LETTER FROM THE BOARD



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ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED

錦藝紡織科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 565)

Executive directors:

Mr. Chen Jinyan (*Chairman*)

Mr. Chen Dong (*Chief Executive Officer*)

Independent non-executive directors:

Mr. Lo Kin Chung

Mr. Huang Yongfeng

Mr. Yu Zhongming

Registered office:

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head office and principal

place of business:

Unit 1407, 14th Floor,

China Merchants Tower, Shun Tak Centre,

168-200 Connaught Road Central,

Hong Kong

4 December 2009

To Shareholders

Dear Sir or Madam,

**PROPOSED CANCELLATION OF SHARE OPTIONS,
PROPOSED REFRESHMENT OF THE 10% LIMIT
ON THE GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF EGM**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the EGM relating to the proposed cancellation of the 2003 Options, 2006 Options and 2007 Options and the proposed refreshment of the 10% limit on the grant of options under the Share Option Scheme.

A notice convening the EGM is set out on pages 8 to 9 to this circular.

LETTER FROM THE BOARD

PROPOSED CANCELLATION OF SHARE OPTIONS

At the EGM, an ordinary resolution will be proposed to the Shareholders for the purpose of considering and, if thought fit, approving the cancellation of the 2003 Options, 2006 Options and 2007 Options.

The 2003 Options

During the year ended 30 June 2004, the 2003 Options in respect of 4,000,000 Shares and a total of 29,250,000 Shares were granted by the Company pursuant to the Share Option Scheme to Mr. Chen and certain employees of the Group, respectively. Such 2003 Options have not been exercised as of the Latest Practicable Date. The 2003 Options represent approximately 3.20% of the existing issued share capital of 1,040,602,583 Shares as of the Latest Practicable Date.

Details of the 2003 Options granted are set out below:

Option Holders	Date of grant	Exercise period	Exercise price (HK\$)	Number of options granted
Mr. Chen	23/12/2003	23/12/2003 to 22/12/2013	0.612	4,000,000
Employees [#] (in aggregate)	23/12/2003	23/12/2003 to 22/12/2013	0.612	29,250,000

[#] Such employees do not include any Director or chief executive of the Company.

The 2006 Options

During the year ended 30 June 2007, the 2006 Options in respect of 4,500,000 Shares and a total of 18,500,000 Shares were granted by the Company pursuant to the Share Option Scheme to Mr. Chen and certain employees of the Group, respectively. Such 2006 Options have not been exercised as of the Latest Practicable Date. The 2006 Options represent approximately 2.21% of the existing issued share capital of 1,040,602,583 Shares as of the Latest Practicable Date.

Details of the 2006 Options granted are set out below:

Option Holders	Date of grant	Exercise period	Exercise price (HK\$)	Number of options granted
Mr. Chen	11/12/2006	02/01/2007 to 01/01/2012	0.450	4,500,000
Employees [#] (in aggregate)	11/12/2006	02/01/2007 to 01/01/2012	0.450	18,500,000

[#] Such employees do not include any Director or chief executive of the Company.

The 2007 Options

During the year ended 30 June 2008, the 2007 Options in respect of a total of 29,200,000 Shares were granted by the Company pursuant to the Share Option Scheme to certain employees of the Group. Such 2007 Options have not been exercised as of the Latest Practicable Date. The 2007 Options represent approximately 2.81% of the existing issued share capital of 1,040,602,583 Shares as of the Latest Practicable Date.

LETTER FROM THE BOARD

Details of the 2007 Options granted are set out below:

Option Holders	Date of grant	Exercise period	Exercise price (HK\$)	Number of options granted
Employees [#] (in aggregate)	14/09/2007	14/09/2007 to 31/08/2012	0.572	29,200,000

[#] Such employees do not include any Director or chief executive of the Company.

Reasons for cancellation and effect on the Company

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions of the Group. The Directors have considered that although there might have a chance that the price of the Shares to appreciate before the expiry date of the 2003 Options, 2006 Options and 2007 Options, the respective exercise price of the 2003 Options, 2006 Options and 2007 Options is comparatively high when compared with the recent market prices of the Shares which the closing price of the Shares was HK\$0.265 as of the Latest Practicable Date, which deters the Option Holders from exercising the respective 2003 Options, 2006 Options and 2007 Options to subscribe for the Shares, the Directors consider that it will be in the interest of the Company as well as the Option Holders to cancel all the outstanding 2003 Options, 2006 Options and 2007 Options granted but not exercised.

The relevant Option Holders whose 2003 Options, 2006 Options and 2007 Options to have been cancelled shall not be entitled to any compensation of any consequential loss as a result of such cancellation. Therefore, there will not be any adverse financial effect as a result of the cancellation of the 2003 Options, 2006 Options and 2007 Options granted but not exercised.

Approval by the Shareholders

Pursuant to the Share Option Scheme, cancellation of the 2003 Options, 2006 Options and 2007 Options granted but not exercised must be approved by the Shareholders, by way of poll, with the Option Holders and their associates abstaining from voting. Save as the Option Holders and their associates, no other shareholder has a material interest in the proposed cancellation of the 2003 Options, 2006 Options and 2007 Options granted but not exercised and is required to abstain from voting at the EGM.

In the event that the cancellation of the 2003 Options, 2006 Options and 2007 Options granted but not exercised is not approved by the Shareholders, the 2003 Options, 2006 Options and 2007 Options shall remain valid and exercisable at the exercise prices, subject to adjustment.

PROPOSED REFRESHMENT OF THE GENERAL SCHEME LIMIT UNDER THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme. Pursuant to the Share Option Scheme:

- (a) The number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed such number of Shares as equals 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit referred to in this paragraph being exceeded.

LETTER FROM THE BOARD

- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes of the Group) to be granted under the Share Option Scheme and any other schemes of the Group must not in aggregate exceed 10% of the Shares in issue on the date of adoption of the Share Option Scheme (“**General Scheme Limit**”) provided that:
- (i) subject to paragraph (a) hereof and without prejudice to paragraph (b)(ii) hereof, the Company may by the issue of a circular to and approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other schemes of the Group) previously granted under the Share Option Scheme and any other schemes of the Group will not be counted; and
 - (ii) subject to paragraph (a) and without prejudice to paragraph (b)(i), the Company may by the issue of a circular and separate Shareholders’ approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the limit referred to in paragraph (b)(i) to participants specifically identified by the Company before such approval is sought.

As of the Latest Practicable Date, a total number of 115,750,000 share options were granted under the Share Option Scheme.

From 16 August 2003 (i.e. the date of adoption of the Share Option Scheme) to the Latest Practicable Date, the number of share options under the Share Option Scheme granted, exercised, lapsed and outstanding (which include the 2003 Options, 2006 Options and 2007 Options) is as follows:

Number of share options under Share Option Scheme			
granted	exercised	lapsed	outstanding
115,750,000	2,700,000	9,000,000	104,050,000

As at the Latest Practicable Date, an aggregate of 104,050,000 options (which include the 2003 Options, 2006 Options and 2007 Options), representing approximately 10.0% of the issued share capital of the Company as at the Latest Practicable Date, remain outstanding under the Share Option Scheme.

The Directors consider that the Company should refresh the General Scheme Limit so that the Company will have more flexibility to provide incentives or rewards to participants for their contribution to the Group. If the refreshment of the General Scheme Limit is approved at the EGM based on the 1,040,602,583 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are repurchased after the Latest Practicable Date and up to the date of the EGM, the Directors will be able to grant options for up to a total of 104,060,258 Shares under the “refreshed” General Scheme Limit, representing 10% of the total number of Shares in issue as at the date of the EGM. The total number of Shares which may be issued upon exercise of the “refreshed” General Scheme Limit as at the Latest Practicable Date is 104,060,258 Shares, representing approximately 10% of the total number of Shares in issue as at the date of the EGM. However, as

LETTER FROM THE BOARD

required by Rule 17.03 of the Listing Rules, no share options may be granted if such will result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group exceeding 30% of the total number of Shares in issue from time to time.

The Directors consider that the refreshment of the General Scheme Limit will be for the benefit of the Company and the Shareholders as a whole that it enables the Company to reward and motivate participants of the Share Option Scheme to contribute to the success of the Group.

At the EGM, an ordinary resolution, will be proposed to the Shareholders for the purpose of considering and, if thought fit, approving the refreshment of the General Scheme Limit. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised and outstanding options) under the Share Option Scheme in any 12-month period will not exceed 1% of the total number of Shares in issue. None of the Shareholders are required to abstain from voting at the EGM pursuant to Rule 17.03(4) of the Listing Rules.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, any Shares, representing 10% of the total number of Shares in issue as at the date of the EGM approving the “refreshed” General Scheme Limit, to be issued and allotted upon exercise of the options granted under the “refreshed” General Scheme Limit.

THE EGM, PROXY ARRANGEMENT AND VOTING AT THE EGM

A notice convening the EGM to be held at Fung Shui II Room, 6th Floor, Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong, on Wednesday, 23 December 2009 at 11:30 a.m. is set out on pages 8 to 9 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof) to the office of the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM 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. At the EGM, the chairman of the EGM will therefore demand a poll for every resolution put to vote of the EGM pursuant to Article 66 of the Articles.

RECOMMENDATION

The Directors consider that all the proposed resolutions at the EGM are in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of all the resolutions to be proposed at the EGM in respect thereof.

Yours faithfully
For and on behalf of the Board
Art Textile Technology International Company Limited
Chen Jinyan
Chairman

NOTICE OF EGM



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ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED

錦藝紡織科技國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 565)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Art Textile Technology International Company Limited (the “**Company**”) will be held at Fung Shui II Room, 6th Floor, Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on Wednesday, 23 December 2009 at 11:30 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution (with or without modification) by way of poll as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. To consider, and if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** all the outstanding share options in respect of (i) a total of 33,250,000 Shares which have been granted by the Company to Mr. Chen Jinyan and certain employees of the Company on 23 December 2003 but not exercised as at the date hereof; (ii) a total of 23,000,000 Shares which have been granted by the Company to Mr. Chen Jinyan and certain employees of the Company on 11 December 2006 but not exercised as at the date hereof; and (iii) a total of 29,200,000 Shares which have been granted by the Company to certain employees of the Company on 14 September 2007 but not exercised as at the date hereof, pursuant to the share option scheme adopted by the shareholders of the Company on 16 August 2003, be cancelled and the Directors be hereby authorised for and on behalf of the Company to do all such acts, execute all such documents and deeds as they may in their discretion consider necessary or desirable to carry out the foregoing into effect.”

NOTICE OF EGM

2. To consider, and if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of HK\$0.01 each in the share capital of the Company (representing a maximum of 10% of the shares in issue as at the date of the passing of this resolution) to be issued pursuant to the exercise of options which may be granted under the Company’s share option scheme adopted on 16 August 2003 (the “**Share Option Scheme**”), the refreshment of the scheme limit on grant of options under the Share Option Scheme and any other share option schemes of the Group up to 10% of the shares in issue as at the date of the passing of this resolution be and is hereby approved and the Directors be hereby authorised for and on behalf of the Company to do all such acts, execute all such documents and deeds as they may in their discretion consider necessary or desirable to carry out the foregoing into effect.”

By order of the Board
Art Textile Technology International Company Limited
Chen Jinyan
Chairman

Hong Kong, 4 December 2009