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## IMPORTANT

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**If you are in doubt** about 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 Chanco International Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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(Stock Code: 264)

**PROPOSED GRANT OF OPTIONS,  
GENERAL MANDATES TO REPURCHASE SHARES  
AND TO ISSUE SHARES,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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Resolutions will be proposed at the Annual General Meeting (“AGM”) of Chanco International Group Limited to be held at 3rd Floor, Victory Industrial Building, Nos. 151-157 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong on 10 September 2009 at 10:30 a.m. to approve the matters referred to in this circular. The notice convening the AGM is set out on pages 15 to 18 of this circular. Whether or not you are able to attend the AGM in person, you are requested to complete and return the form of proxy enclosed with this circular 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 holding the AGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof if you so wish.

31 July 2009

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 3rd Floor, Victory Industrial Building, Nos. 151-157 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong, on 10 September 2009 at 10:30 a.m. at which the matters set out in the section headed “Notice of Annual General Meeting” will be considered, adopted and/or approved;
“Articles”	the articles of association of the Company;
“associate”	has the same meaning ascribed thereto in Chapter 1 of the Listing Rules;
“Board”	the board of Directors;
“Board Meeting”	the meeting of the Board held on 22 July 2009;
“Company”	Chanco International Group Limited;
“Date of Grant”	22 July 2009, being the date of the Board Meeting on which the Board proposed to grant the Options to the Grantees under the Share Option Scheme;
“Directors”	directors of the Company;
“Existing Options”	the share options, other than the Options, which have been granted to the Directors, the employees and the consultant of the Group under the Share Option Scheme up to the Latest Practicable Date;
“Existing Scheme Mandate Limit”	31,850,000 Shares, being the maximum number of Shares which may be issued upon exercise of all share options granted and to be granted under the Share Option Scheme (other than share options previously granted under the Share Option Scheme before the approval of the Existing Scheme Mandate Limit), representing 10% of the issued share capital of the Company as at 5 September 2006, being the date of approval of the Existing Scheme Mandate Limit by way of refreshment of the scheme mandate under the Share Option Scheme;
“Grantees”	Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley, Ms. Chan Wai Po Rebecca, being executive Directors and substantial shareholders of the Company and the grantees of the proposed grant of Options and “Grantee” means any of them;
“Group”	the Company and its subsidiaries;

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issue Mandate”	the general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the resolution approving the Issue Mandate;
“Latest Practicable Date”	24 July 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Options”	the options proposed to be granted to the Grantees under the Share Option Scheme to subscribe for Shares
“Overall Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme as stipulated under Rule 17.03(3) of the Listing Rules, being 30% of the Shares in issue from time to time
“Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the resolution approving the Repurchase Mandate;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of Shares;
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company;
“Share Option Scheme”	the share option scheme of the Company adopted pursuant to the written resolutions of all the shareholders of the Company passed on 18 February 2003;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed thereto in Chapter 1 of the Listing Rules; and
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases approved by the Securities and Futures Commission as amended from time to time.

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## LETTER FROM THE BOARD

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**CHANCO INTERNATIONAL GROUP LIMITED**

卓高國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

**(Stock Code: 264)**

*Directors:*

Chan King Hong Edwin (*Chairman*)  
Chan King Yuen Stanley  
Chan Wai Po Rebecca  
Chau Cynthia Sin Ha *JP*\*  
Fong Pui Sheung David *MH*\*  
Or Kam Chung Janson\*

*Registered Office:*

Century Yard  
Cricket Square  
Hutchins Drive  
P. O. Box 2681 GT  
Grand Cayman KY1-1111  
Cayman Islands

\* *Independent Non-Executive Directors*

*Principal Place of Business:*

3rd Floor, Victory Industrial Building  
Nos. 151-157 Wo Yi Hop Road  
Kwai Chung  
New Territories  
Hong Kong

31 July 2009

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED GRANT OF OPTIONS,  
GENERAL MANDATES TO REPURCHASE SHARES  
AND TO ISSUE SHARES,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the AGM for the approval of (i) the grant of Options, (ii) the grant of the Repurchase Mandate to the Directors; (iii) the grant of the Issue Mandate to the Directors; (iv) extension of the Issue Mandate; and (v) re-election of Directors.

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## LETTER FROM THE BOARD

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### PROPOSED GRANT OF OPTIONS

#### Background

Reference is made to the announcement of the Company dated 22 July 2009. On 22 July 2009, the Board had resolved in the Board Meeting to grant, inter alia, the Options to the Grantees entitling each of them to subscribe for 8,700,000 Shares (representing approximately 2.73% of the total issued Shares as at the Latest Practicable Date) at the exercise price of HK\$0.57 per Share, subject to and conditional upon the approval by the Shareholders at the AGM.

As each of the Grantees is an executive Director and a substantial shareholder of the Company, the proposed grant of the Options to each Grantee is also subject to the approval of the independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules and the rules of the Share Option Scheme. In this connection, the independent non-executive Directors have approved the proposed grant of the Options to the Grantees at the Board Meeting, subject to and conditional upon the approval by the Shareholders in the AGM.

#### Individual Limit

Pursuant to Rule 17.03(4) of the Listing Rules, where any further grant of options to a participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue (the “**Individual Limit**”), such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his associates abstaining from voting.

No option had been granted to any of the Grantees within the 12-month period prior to the Date of Grant. However, as the Shares subject to the Option proposed to be granted to each Grantee exceed his/her Individual Limit, the grant of Options to each Grantee will be subject to the approval of the Shareholders at the AGM, with each Grantee and his/her associates abstaining from voting on the resolution in relation to the grant of the relevant Option to himself/herself pursuant to Rule 17.03(4) of the Listing Rules and the rules of the Share Option Scheme.

#### Existing Scheme Mandate Limit

On 5 September 2006, the Existing Scheme Mandate Limit was approved by a resolution of the Shareholders at the annual general meeting of the Company pursuant to which the Directors were allowed to grant further options under the Share Option Scheme to subscribe for a maximum of 31,850,000 Shares. Since the approval of the Existing Scheme Mandate Limit, the Company has only granted options to subscribe for a total of 3,000,000 Shares to two members of the senior management of the Group at the Board Meeting as disclosed in the announcement of the Company dated 22 July 2009. As such, there are available sufficient ungranted options under the Existing Scheme Mandate Limit for the purpose of granting the Options to the Grantees.

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## LETTER FROM THE BOARD

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### Overall Limit

If the proposed grant of Options are approved by the Shareholders in the AGM, the number of Shares that may be issued upon exercise of all the Existing Options (including the options granted at the Board Meeting to two members of the senior management of the Group to subscribe for a total of 3,000,000 Shares) and the Options is 48,066,000, representing approximately 15.08% of the total issued number of Shares as at the Latest Practicable Date and thus the Overall Limit will not be exceeded.

### Details of the Grantees and the terms of the Options

The following table illustrates the number of Shares held by each Grantee as at the Latest Practicable Date and the changes in shareholdings of each Grantee in the issued share capital of the Company upon exercise in full of the Options and Existing Options:

Name of Grantees and other Shareholders	As at the Latest Practicable Date		Upon exercise of the Options in full		Upon exercise of the Options and Existing Options in full	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares held</i>	<i>percentage of shareholding</i>	<i>Number of Shares held</i>	<i>percentage of shareholding</i>	<i>Number of Shares held</i>	<i>percentage of shareholding</i>
Chan King Hong Edwin and his associate (Notes 1 and 4)	53,515,352	16.79%	62,215,352	18.04%	70,077,752	19.10%
Chan King Yuen Stanley and his associate (Notes 2 and 4)	54,467,352	17.08%	63,167,352	18.31%	66,348,552	18.09%
Chan Wai Po Rebecca and her associate (Notes 3 and 4)	39,204,648	12.30%	47,904,648	13.89%	51,085,848	13.92%
Chan Woon Man and his associate (Note 5)	39,204,648	12.30%	39,204,648	11.37%	42,385,848	11.55%
Lim Mee Hwa, Yeo Seng Chong and Yeoman Capital Management Pte Ltd (Note 6)	38,260,000	12.00%	38,260,000	11.09%	38,260,000	10.43%
Public Shareholders	<u>94,152,000</u>	<u>29.53%</u>	<u>94,152,000</u>	<u>27.30%</u>	<u>98,712,000</u>	<u>26.91%</u>
Total	<u><u>318,804,000</u></u>	<u><u>100.00%</u></u>	<u><u>344,904,000</u></u>	<u><u>100.00%</u></u>	<u><u>366,870,000</u></u>	<u><u>100.00%</u></u>

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## LETTER FROM THE BOARD

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*Notes:*

1. As at the Latest Practicable Date, Mr. Chan King Hong Edwin was interested in (i) 53,515,352 Shares, of which 5,788,000 Shares were held by himself and 47,727,352 Shares were held by Leopark Worldwide Inc., a company wholly-owned by Mr. Chan King Hong Edwin; and (ii) an Existing Option to subscribe for 3,181,200 Shares (at an exercise price of HK\$0.83 per Share from 24 September 2003 to 23 September 2013) which was granted to him on 24 September 2003. Ms Li Suk Han, the general manager of the Group and the spouse of Mr. Chan King Hong Edwin, was an associate of Mr. Chan King Hong Edwin and was interested in Existing Options to subscribe for 4,681,200 Shares. The Option proposed to be granted to Mr. Chan King Hong Edwin will entitle him to subscribe for a total of 8,700,000 Shares, representing approximately 2.73% of the issued share capital of the Company as at the Latest Practicable Date.
2. As at the Latest Practicable Date, Mr. Chan King Yuen Stanley was interested in (i) 54,467,352 Shares, of which 6,740,000 Shares were held by himself and 47,727,352 Shares were held by New Paramount Profits Limited, a company wholly-owned by Mr. Chan King Yuen Stanley; and (ii) an Existing Option to subscribe for 3,181,200 Shares (at an exercise price of HK\$0.83 per Share from 24 September 2003 to 23 September 2013) which was granted to him on 24 September 2003. The Option proposed to be granted to Mr. Chan King Yuen Stanley will entitle him to subscribe for a total of 8,700,000 Shares, representing approximately 2.73% of the issued share capital of the Company as at the Latest Practicable Date.
3. As at the Latest Practicable Date, Ms. Chan Wai Po Rebecca was interested in (i) 39,204,648 Shares which were held by Prevail Assets Limited, a company wholly-owned by Ms. Chan Wai Po Rebecca; and (ii) an Existing Option to subscribe for 3,181,200 Shares (at an exercise price of HK\$0.83 per Share from 24 September 2003 to 23 September 2013) which was granted to her on 24 September 2003. The Option proposed to be granted to Ms. Chan Wai Po Rebecca will entitle her to subscribe for a total of 8,700,000 Shares, representing approximately 2.73% of the issued share capital of the Company as at the Latest Practicable Date.
4. Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca are brothers and sisters.
5. As at the Latest Practicable Date, Mr. Chan Woon Man was interested in (i) 39,204,648 Shares which were held by Smarty Worldwide Limited, a company wholly-owned by Mr. Chan Woon Man; and (ii) an Existing Option to subscribe for 3,181,200 Shares. Mr. Chan Woon Man was the father of Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca.
6. As at the Latest Practicable Date, Yeoman Capital Management Pte Ltd (“**Yeoman Capital**”) was interested in 35,660,000 Shares as beneficial owner or as investment manager, of which (i) 1,100,000 Shares were held by it as beneficial owner, (ii) 20,852,000 Shares were held by Yeoman 3-Rights Value Asia Fund, (iii) 1,252,000 Shares were held by BMT Yeoman Client 2 and (iv) 12,456,000 Shares were held by Queensland Investment Corporation. As each of Lim Mee Hwa and Yeo Seng Chong has 35% control over Yeoman Capital, each of them was deemed to be interested in the Shares in which Yeoman Capital was interested. In addition, Lim Mee Hwa was the beneficial owner of 2,600,000 Shares and Yeo Seng Chong was deemed to be interested in the Shares by virtue of being the spouse of Lim Mee Hwa.

The Options proposed to be granted to the Grantees will be subject to the terms of Share Option Scheme. According to the Listing Rules, the date of the Board Meeting for proposing the grant of Options should be taken as the date of grant for the purpose of calculating the exercise price. With reference to the closing price of the Shares quoted on the Stock Exchange on 22 July 2009 (that is, the date of the Board Meeting and the Date of Grant) which was HK\$ 0.57 and the average closing price of the Shares quoted on the Stock Exchange for the five consecutive trading days preceding 22 July 2009 which was HK\$0.566, the exercise price of the Options is proposed to be HK\$ 0.57 per Share.



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## LETTER FROM THE BOARD

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The closing prices of the Shares from 15 July 2009 up to the trading day immediately preceding the Date of Grant were as follows:

<b>Date</b>	<b>Closing price</b> <i>(HK\$ per Share)</i>
15 July 2009	0.55
16 July 2009	0.55
17 July 2009	0.57
20 July 2009	0.59
21 July 2009	0.57

The exercise period of the Options is from 22 July 2009 to 21 July 2019. The proposed grant of Options to the Grantees is to reward the Grantees for their contribution to the Group and to motivate the Grantees for their continuing commitment and contribution to the Group in the future. There is no performance target to be achieved or any minimum period for which the Options must be held before they can be exercised. A consideration of HK\$1.00 is payable on acceptance of the offer of the Options by each Grantee.

### **GENERAL MANDATE TO REPURCHASE SHARES**

At the AGM, an ordinary resolution will be proposed to grant the Repurchase Mandate to the Directors to enable them to repurchase Shares subject to the criteria set out in this circular. Shareholders should note that the maximum number of Shares that may be repurchased under the Repurchase Mandate will be 10% of the Shares in issue as at the date of passing of such resolution. The Repurchase Mandate will remain in effect until whichever is the earliest of (a) the date of the next annual general meeting, (b) the date on which the next annual general meeting is required to be held by law or the 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.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution to approve the grant of the Repurchase Mandate. The explanatory statement as required by the Listing Rules in connection with the Repurchase Mandate is set out in pages 10 to 12 of this circular.

### **GENERAL MANDATE TO ISSUE SHARES**

At the AGM, an ordinary resolution will be proposed to grant the Issue Mandate to the Directors to allot, issue and deal with, otherwise than by way of rights issue or any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company or any shares of the Company issued as scrip dividends pursuant to the memorandum and articles of association of the Company, new shares with an aggregate nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue on the date of the resolution

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## **LETTER FROM THE BOARD**

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approving the Issue Mandate. Subject to the passing of the proposed resolution, the Company would be allowed under the Issue Mandate to issue a maximum of 63,760,800 Shares based on the issued share capital of the Company as at the Latest Practicable Date. The Issue Mandate will remain in effect until whichever is the earliest of (a) the date of the next annual general meeting, (b) the date on which the next annual general meeting is required to be held by law or the 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.

### **EXTENSION OF THE GENERAL MANDATE TO ISSUE SHARES**

At the AGM, an ordinary resolution will be proposed that the Issue Mandate be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Issue Mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount will not exceed 10% of the aggregate nominal value of the share capital of the Company in issue on the date of the resolution approving the Issue Mandate.

### **PROPOSED RE-ELECTION OF DIRECTORS**

In accordance with Article 87 of the Articles, Mr. Chan King Yuen Stanley and Ms. Chau Cynthia Sin Ha shall retire from office by rotation in the forthcoming AGM and, being eligible, offer themselves for re-election. Details of Mr. Chan King Yuen Stanley and Ms. Chau Cynthia Sin Ha which are required to be disclosed by the Listing Rules are set out in the Appendix to this circular.

### **AGM**

A notice of the AGM is set out on pages 15 to 18 of this circular. At the AGM, resolutions will be proposed to approve, inter alia, the grant of Options, the grant of the Repurchase Mandate and the Issue Mandate to the Directors, the extension of the Issue Mandate and the re-election of Directors.

At the AGM, pursuant to Rule 17.03(4) of the Listing Rules and the rules of the Share Option Scheme, each of the Grantees and his/her associates must abstain from voting in favour of the grant of the relevant Option to himself/herself. As at the Latest Practicable Date, without taking into account the Shares which may be issued upon exercise of the Existing Options held by the Grantees and their associates:-

- (i) Mr. Chan King Hong Edwin was interested in 53,515,352 Shares, of which 5,788,000 Shares were held by himself and 47,727,352 Shares were held by Leopark Worldwide Inc., being a company wholly-owned by Mr. Chan King Hong Edwin and therefore his associate;
- (ii) Mr. Chan King Yuen Stanley was interested in 54,467,352 Shares, of which 6,740,000 Shares were held by himself and 47,727,352 Shares were held by New Paramount Profits Limited, being a company wholly-owned by Mr. Chan King Yuen Stanley and therefore his associate; and

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## LETTER FROM THE BOARD

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- (iii) Ms. Chan Wai Po Rebecca was interested in 39,204,648 Shares which were held by Prevail Assets Limited, being a company wholly-owned by Ms. Chan Wai Po Rebecca and therefore her associate.

As at the Latest Practicable Date, each of the Grantees and their respective associates controlled and were entitled to exercise control over the voting right in respect of the Shares held by himself/herself/itself.

Save as disclosed in this circular, none of the Grantees and their respective associates held any Shares as at the Latest Practicable Date.

Whether or not you are able to attend the AGM in person, you are requested to complete and return the form of proxy enclosed with this circular 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 holding the AGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof if you so wish.

### **VOTING BY POLL**

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the AGM will demand a poll for each and every resolution put forward at the AGM pursuant to Article 66 of the Articles. The Company will appoint Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, as the scrutineer to handle the vote-taking procedures at the AGM.

### **RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 herein misleading.

### **RECOMMENDATION**

The Directors consider that the proposed grant of Options, the Repurchase Mandate, the Issue Mandate, the extension of the Issue Mandate and the re-election of retiring Directors are in the best interests of the Company and its Shareholders and so recommend you to vote in favour of such resolutions at the forthcoming AGM.

Yours faithfully  
For and on behalf of the Board  
**Chanco International Group Limited**  
**Chan King Hong Edwin**  
*Chairman*

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## **EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE**

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*The following explanatory statement contains all the information required pursuant to Rule 10.06 of the Listing Rules to be given to all Shareholders relating to the resolution to be proposed at the forthcoming AGM authorising the Repurchase Mandate.*

### **1. EXERCISE OF THE REPURCHASE MANDATE**

It is proposed under the Repurchase Mandate that authority be given to the Directors to exercise the powers of the Company to repurchase up to 10% of the issued share capital of the Company as at the date of the passing of the resolution for approving the Repurchase Mandate. As at the Latest Practicable Date, the total number of issued Shares was 318,804,000. Subject to the passing of the ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares would be issued or repurchased after the Latest Practicable Date and up to the date of passing of such resolution, the Directors would be authorised to repurchase up to 31,880,400 Shares (being 10% of the Shares in issue) during the period up to (a) the next annual general meeting of the Company or (b) the expiration of the period within which the next annual general meeting of the Company is required by law or its Articles to be held or (c) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting of the Company, whichever occurs first.

### **2. REASONS FOR REPURCHASE**

The Directors have no present intention to repurchase any Shares but consider that the Repurchase Mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may, depending on market conditions and funding arrangements at the time, enhance the net assets value of the Company and/or earnings per Share.

### **3. GENERAL**

As compared with the financial position of the Company as at 31 March 2009 (being the date of its latest published audited accounts), the Directors consider that there will be no material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. The Directors confirm that no purchase would be made to such extent as would have a material adverse impact on the working capital or gearing position of the Company.

### **4. FUNDING OF REPURCHASES**

The Company is empowered by its memorandum and articles of association and the applicable laws of the Cayman Islands to purchase 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 profits 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 repurchase may only be paid out of the fund of the Company that would otherwise be legally available for dividend or distribution or out of the share premium account of the Company for such purpose under the laws of the Cayman Islands. Under the Cayman Islands law, the shares so repurchased will be treated as cancelled but the aggregate amount of authorized share capital will not be reduced so that the shares may be subsequently re-issued.

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## **EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE**

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### **5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates (as defined in the Listing Rules) of any of the Directors has any present intention, in the event that the proposed Repurchase Mandate is approved by Shareholders, to sell Shares to the Company.

As at the Latest Practicable Date, no connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that Repurchase Mandate is granted.

### **6. UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed Repurchase Mandate in accordance with the Listing Rules and all applicable laws of the Cayman Islands, and in accordance with the regulations set out in the memorandum and articles of association of the Company.

### **7. EFFECT OF TAKEOVERS CODE**

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of a company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a shareholder, or a group of shareholders acting in concert (within the meaning under the Takeovers Code), could obtain or consolidate control of the company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Prevail Assets Limited and Smarty Worldwide Limited (which are wholly and beneficially owned by Ms. Chan Wai Po Rebecca and Mr. Chan Woon Man respectively) held approximately 12.30% and 12.30% in the total issued share capital of the Company respectively and Mr. Chan King Hong Edwin and Mr. Chan King Yuen Stanley directly and indirectly held approximately 16.79% and 17.08% in the total issued share capital of the Company respectively. In the event that the Directors exercise in full the power to repurchase Shares in accordance with the Repurchase Mandate, the shareholding of the aforesaid Shareholders who are taken to be acting in concert would be increased from approximately 58.47% to approximately 64.96% of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases to be made under the Repurchase Mandate. The Directors have no intention to exercise the Repurchase Mandate to such an extent that the number of Shares in the hands of the public falling below the prescribed minimum percentage (under the Listing Rules) of 25%.

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## EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE

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### 8. SHARE PURCHASE MADE BY THE COMPANY

During each of six months preceding the Latest Practicable Date, no Shares have been repurchased by the Company.

### 9. SHARE PRICES

During the previous twelve months, the highest and lowest prices at which the Shares were traded on the Stock Exchange were as follows:-

Months	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2008</b>		
July	0.950	0.850
August	0.940	0.900
September	0.880	0.620
October	0.640	0.450
November	0.510	0.500
December	0.500	0.500
<b>2009</b>		
January	0.510	0.450
February	0.455	0.420
March	0.420	0.385
April	0.475	0.400
May	0.580	0.420
June	0.570	0.490
July (up to the Latest Practicable Date)	0.610	0.500

*The following are the particulars of the Directors to be retired and proposed to be re-elected at the AGM:*

**Mr. CHAN King Yuen, Stanley**, aged 48, is an executive director and vice chairman of the Company who joined the Group in around 1980. Mr. Chan is responsible for the design and product development, local sales and marketing strategic planning and overall management of the Group. He has over 21 years of experience in the manufacturing and sales of leather goods, product development and sampling designed training. Mr. Chan has not held any directorships in other public listed companies during the last three years. Mr. Chan is a brother of Mr. Chan King Hong Edwin, (executive director and substantial shareholder of the Company), Ms. Chan Wai Po Rebecca, (executive director and substantial shareholder of the Company) and Ms. Chan Wai Foon (senior management of the Group), a brother-in-law of Ms. Li Shuk Han (senior management of the Group) and the son of Mr. Chan Woon Man (substantial shareholder of the Company) Save as disclosed herein, Mr. Chan does not have any other relationships with any Directors, senior management, substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Chan was directly and indirectly interested in 54,467,352 Shares and a share option entitling him to subscribe for 3,181,200 Shares within the meaning of Part XV of the Securities and Future Ordinance. In addition, he has been conditionally granted a share option entitling him to subscribe 8,700,000 Shares, subject to and conditional upon the approval of the Shareholders at the AGM. Mr. Chan has entered into a service agreement with the Company for an initial term of two years commencing from 1 March 2003 and renewable automatically for successive terms of one year until terminated by either party to the other by not less than six months' notice in writing served by either party on the other. Mr. Chan is entitled to receive a monthly remuneration of HK\$135,000. The emoluments of Mr. Chan are determined by the Board and remuneration committee of the Company with reference to his performance and contribution to the Group and also the terms of reference of the remuneration committee adopted by the Company. Mr. Chan, together with other executive Directors, is entitled to a discretionary management bonus provided that the aggregate amount of the discretionary bonus payable to all the executive Directors for any financial year may not exceed 10% of the audited consolidated profit before payment of such bonus, taxation, minority interests and extraordinary items of the Group (if any) in respect of that financial year.

There are no other matters that need to be brought to the attention of the Shareholders. In addition, there is no information to be disclosed under Rules 13.51(2) (h) to (v) of the Listing Rules.

**Ms. CHAU Cynthia Sin Ha JP**, aged 69, is an independent non-executive director of the Company. Ms. Chau has been appointed as a Non-official Justice of the Peace for Hong Kong since 17 July 1996. She obtained a diploma in Arts from Chung Chi College in Hong Kong in 1961 and a master's degree of social welfare from the Regents of the University of California in the U.S. in 1967. Ms. Chau had served as the Welfare Superintendent of Po Leung Kuk for 26 years until her retirement in March 2001. As Welfare Superintendent, Ms. Chau was head of the Welfare Department of Po Leung Kuk and was responsible for developing and improving the welfare services provided by Po Leung Kuk. Ms. Chau was appointed as the independent non-executive director of the Company in February 2003. Ms. Chau has not held any directorships in other public listed companies during the last three years.

Ms. Chau has entered into a service contract with the Company for a term of 2 years expiring on 28 February 2011, which can be terminated by either party by giving to other party not less than three months' written notice without payment of compensation (other than statutory compensation).

Ms. Chau is entitled to receive an annual director fee of HK\$50,000. The emoluments of Ms. Chau are determined by the Board with reference to the salaries paid by other listed companies in Hong Kong to independent non-executive directors.

Ms. Chau is not connected with the directors, senior management, substantial or controlling shareholders of the Company or an associate of any of them. As at the Latest Practicable Date, Ms. Chau does not have any interest in the Shares within the meaning of Part XV of the Securities and Future Ordinance.

There are no other matters that need to be brought to the attention of the Shareholders. In addition, there is no information to be disclosed under Rules 13.51(2)(h) to (v) of the Listing Rules.



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## NOTICE OF ANNUAL GENERAL MEETING

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**CHANCO INTERNATIONAL GROUP LIMITED**

卓高國際集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 264)**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Chanco International Group Limited (the “**Company**”) will be held at 3rd Floor, Victory Industrial Building, Nos. 151-157 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong, at 10:30 a.m. on 10 September 2009 for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31 March 2009.
2. To declare a final dividend for the year ended 31 March 2009.
3. To re-elect the retiring directors and to authorize the board of directors to fix the remuneration of the directors.
4. To re-appoint auditor and to authorize the board of directors to fix its remuneration.
5. As special business, to consider, and if thought fit, pass the following resolutions:–

### **ORDINARY RESOLUTIONS**

- A. “**THAT** the grant of an option to Mr. Chan King Hong Edwin to subscribe for 8,700,000 shares in the share capital of the Company under the share option scheme adopted by the Company on 18 February 2003 on the terms set out in the circular issued by the Company dated 31 July 2009 be and is hereby approved and that the directors of the Company be and are hereby authorized to do all such acts, execute all such documents and deeds as they in their absolute discretion consider necessary, desirable or expedient to give effect to the foregoing.”
- B. “**THAT** the grant of an option to Mr. Chan King Yuen Stanley to subscribe for 8,700,000 shares in the share capital of the Company under the share option scheme adopted by the Company on 18 February 2003 on the terms set out in the circular issued by the Company dated 31 July 2009 be and is hereby approved and that the directors of the Company be and are hereby authorized to do all such acts, execute all such documents and deeds as they in their absolute discretion consider necessary, desirable or expedient to give effect to the foregoing.”

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## NOTICE OF ANNUAL GENERAL MEETING

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- C. **“THAT** the grant of an option to Ms. Chan Wai Po Rebecca to subscribe for 8,700,000 shares in the share capital of the Company under the share option scheme adopted by the Company on 18 February 2003 on the terms set out in the circular issued by the Company dated 31 July 2009 be and is hereby approved and that the directors of the Company be and are hereby authorized to do all such acts, execute all such documents and deeds as they in their absolute discretion consider necessary, desirable or expedient to give effect to the foregoing.”
- D. **“THAT:**
- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the 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 authorize the directors of the Company 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 aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than by way of a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company or any shares of the Company issued as scrip dividends pursuant to the memorandum and articles of association of the Company, shall not exceed 20% of the aggregate of the total nominal value of the share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

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## NOTICE OF ANNUAL GENERAL MEETING

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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 earliest of:–

- (i) the date of the next annual general meeting of the Company;
- (ii) the date on which the next annual general meeting of the Company is required to be held by law or the articles of association of the Company; and
- (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

“Rights Issue” means an offer of shares or other securities of the Company open for a period fixed by the directors of the Company 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 (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company).”

E. **“THAT:–**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), subject to and in accordance with all applicable laws and rules, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

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## NOTICE OF ANNUAL GENERAL MEETING

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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 earliest of:–

- (i) the date of the next annual general meeting of the Company;
- (ii) the date on which the next annual general meeting of the Company is required to be held by law or the articles of association of the Company; and
- (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.”

F. **“THAT** conditional upon resolution nos. 5D and 5E above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in resolution no. 5E above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 5D above.”

By Order of the Board  
**Lau Wai Hung**  
*Company Secretary*

Hong Kong, 31 July 2009

*Notes:–*

- (1) A member entitled to attend and vote at the AGM convened by the above notice is entitled to appoint proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (2) The Register of Members of the Company will be closed from 7 September 2009 to 10 September 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 4 September 2009.
- (3) In order to qualify for the final dividend payable on or about 6 October 2009, all transfers, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of Rooms 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 4 September 2009.