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永恩國際集團有限公司

PRIME SUCCESS INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 210)

*Executive Directors:*

Mr Chen Ying-Chieh (Chairman)  
Mr Chen Hsien Min (Managing Director)  
Mr Chang Chih-Kai

*Independent Non-Executive Directors:*

Mr Hsiao Hsi-Ming  
Mr Huang Shun-Tsai  
Mr Kuo Jung-Cheng

*Registered Office:*

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*Principal Place of Business:*

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24 April 2006

To the shareholders of Prime Success International Group Limited (the "Company")

Dear Shareholder(s),

**GENERAL MANDATES TO REPURCHASE AND ISSUE SECURITIES,  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
RE-ELECTION OF DIRECTORS**

**INTRODUCTION**

The purpose of this circular is to provide you with information on the proposals to grant general mandates to the directors of the Company (the "Directors") to repurchase and issue shares of the Company (the "Shares") and the amendments to the Articles of Association of the Company.

## GENERAL MANDATE TO REPURCHASE SECURITIES

The general mandate granted to the Directors by the shareholders of the Company (the “**Shareholders**”) at the 2004 annual general meeting of the Company to repurchase Shares will expire at the conclusion of the forthcoming annual general meeting proposed to be held on Friday, 19 May 2006 (the “**Annual General Meeting**”). At the Annual General Meeting, the board of Directors (the “**Board**”) will propose an ordinary resolution to grant an unconditional general mandate to the Directors to exercise all powers of and on behalf of the Company to purchase securities (the “**Shares Repurchase Mandate**”) up to a maximum of 10 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the resolution. In accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), an explanatory statement is set out in Appendix I to this circular to provide you with the requisite information reasonably necessary to enable you to make an informed decision on the proposed resolution.

## GENERAL MANDATE TO ISSUE SECURITIES

The Directors will also propose at the Annual General Meeting an ordinary resolution to grant the Directors an unconditional general mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the date of passing of the resolution and to extend such general mandate by the aggregate nominal amount of the shares repurchased by the Company.

As at 24 April 2006, being the latest practicable date prior to the printing of this circular, the Company had 1,637,892,384 Shares in issue. Subject to the passing of the relevant resolution approving the general mandate to issue Shares and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed to issue new Shares up to a maximum of 327,578,476 Shares.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The latest amendments to the Listing Rules relating to Code on Corporate Governance Practices and Corporate Governance Report came into effect on 1 January 2005 and relating to the contents of the constitutional documents came into effect on 1 March 2006. The principal purpose of the special resolution (the “**Special Resolution**”) as set out in the notice of Annual General Meeting is to amend the Articles of Association of the Company (“**Articles of Association**”) to, amongst others, comply with the requirements of the amended Listing Rules.

The proposed amendments, if duly passed, will have the following effects: (1) a poll may be demanded by such persons as required by the Listing Rules; (2) one-third (but not less than one-third) of the Directors must retire at each annual general meeting of the Company and every director (including the chairman and the managing director) must be subject to retirement by rotation at least once every three years; (3) any director appointed by the Directors may only hold office until the next general meeting in the case of filing a

casual vacancy or the next annual general meeting in the case of an addition to the board of directors of the Company and is eligible for re-election at that meeting; and (4) a director may be removed by an ordinary resolution of members at a general meeting.

To align the Articles of Association with the amendments to, amongst others, the Listing Rules, the Board proposes that the Articles of Association be amended in the manner as set out in the Special Resolution. The full text of the proposed amendments to the Articles of Association is set out in the notice of Annual General Meeting.

## **RE-ELECTION OF DIRECTORS**

Pursuant to the Articles of Association, Messrs Chen Ying-Chieh and Chen Hsien Min will retire by rotation at the Annual General Meeting, and being eligible, offer themselves for re-election. Brief biographical details of these Directors are set out in Appendix II to this circular.

## **RIGHT TO DEMAND A POLL**

Pursuant to the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is required by the rules of the Stock Exchange or (before or on the declaration of the result of the show of hands) demanded by:

- (i) the chairman;
- (ii) at least 3 members present in person or by proxy or authorised representative for the time being entitled to vote at the meeting;
- (iii) any member or members present in person or by proxy or than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting;
- (iv) any member or members present in person or by proxy or authorised representative and holding shares in the Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

## **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 Board considers that the proposed grant of the Shares Repurchase Mandate and the general mandate to issue Shares are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends all shareholders to vote in favour of the ordinary and special resolutions to be proposed at the Annual General Meeting, respectively.

Yours faithfully,  
By Order of the Board  
**CHEN Ying-Chieh**  
*Chairman*

The following explanatory statement provides the requisite information to you for your consideration of the proposal to grant a general and unconditional mandate to the Directors to exercise the powers of the Company to repurchase up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of the relevant resolution referred to in item 5A of the notice of the Annual General Meeting.

### **1. SHARE REPURCHASE PROPOSAL**

As at the latest practicable date prior to the printing of this explanatory statement, the issued share capital of the Company comprised 1,637,892,384 Shares.

Subject to the passing of the proposed Shares Repurchase Mandate, on the basis that no further securities are issued or repurchased prior to the Annual General Meeting to be held on 19 May 2006 and ignoring other restrictions, such as the limitation on the basis of trading volume mentioned above, the Company would be allowed under the Shares Repurchase Mandate to purchase up to a maximum of 163,789,238 Shares which represents a 10 per cent. of the issued share capital of the Company as at the date of the Shares Resolution.

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

The Directors believe that the ability to repurchase Shares is in the interests of the Company and its shareholders.

Repurchases may, depending on the circumstances, result in an enhancement in the net assets and/or earnings per Share. The Directors are seeking grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number(s) of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

### **3. FUNDING OF REPURCHASES**

There may be a material adverse impact on the working capital or gearing position of the Company (as compared with the financial position disclosed in its latest published audited accounts) in the event that the proposed securities repurchases were to be carried out in full at any time during the proposed repurchase period. However, repurchases must be made out of funds legally available for such purpose in accordance with the Articles of Association, the laws of the Cayman Islands and any other applicable laws. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.

The Directors do not intend to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company unless the Directors consider that such purchases are in the best interest of the Company notwithstanding such material adverse impact.

#### 4. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

There are no Directors and, (to the best of the knowledge of the Directors, having made all reasonable enquiries), or any associates (as defined in the Listing Rules) of the Directors, who have a present intention, in the event that the Shares Repurchase Mandate is approved by shareholders of the Company, to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that they may exercise the powers of the Company to make purchases pursuant to the Shares Repurchase Mandate only in accordance with the Listing Rules, the laws of Hong Kong and all applicable laws of the Cayman Islands.

If, as a result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("the Takeovers Code"). As a result, a shareholder or group of shareholders acting in concert (depending on the level of increase of shareholders' interests), could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the latest practicable date prior to the printing of this explanatory statement, Lucky Earn International Limited ("LE") was beneficially interested in 434,669,995 Shares, which constituted approximately 26.54 per cent. of the voting rights attaching to the issued share capital of the Company. If the Shares Repurchase Mandate is to be exercised in full, LE would (assuming that there is no change in the relevant facts and circumstances) hold approximately 29.49 per cent. of the voting rights attaching to the issued share capital of the Company. In the absence of any special circumstances, no obligation to make a mandatory offer as referred to above as a result of a share repurchase would arise for so long as the share holding of LE remains in the range of 30 per cent. to less than 35 per cent. of the voting rights attaching to the issued share capital of the Company and until 10 years after 19 October 2001 on the basis of Rule 26.6 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Shares Repurchase Mandate.

No connected persons (as defined in the Listing Rules) of the Company has notified the Company of a present intention to sell Shares to the Company and no such persons have undertaken not to sell any of the Shares held by them to the Company in the event that the general mandate is authorised by shareholders of the Company. The Company will not repurchase Shares which would result in the amount of Shares held by public being reduced to less than 25%.

#### 5. SHARES REPURCHASES MADE BY THE COMPANY

During the six months prior to the latest practicable date before the printing of this circular, the Company has not purchased any Shares (whether on the Stock Exchange or otherwise).

## 6. SECURITIES PRICES

The highest and lowest prices at which Shares have traded on the Stock Exchange during each of the previous twelve months preceding the latest practicable date before the printing of this circular are as follows:-

	Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2005</b>		
April	1.960	1.490
May	2.075	1.820
June	2.300	1.840
July	2.750	2.100
August	2.900	2.375
September	3.000	2.575
October	3.075	2.550
November	3.450	2.750
December	4.025	3.125
<b>2006</b>		
January	4.750	3.950
February	5.350	4.700
March	5.250	4.300

<b>APPENDIX II</b>	<b>BIOGRAPHICAL DETAILS OF DIRECTORS TO BE RE-ELECTED</b>
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### **Mr Chen Ying-Chieh**

Mr Chen Ying-Chieh, aged 37, has been working with the Group since 1992 and become the chairman of the Group since 22 November 2004. Mr Chen is a director of certain subsidiaries of the Company and he has not held directorships in any other listed public companies in the last three years.

Mr Chen is responsible for the overall corporate planning with focus in brand business of the Group. Mr Chen obtained a bachelor degree in International Trade Business from the University of Zhengyou.

Mr Chen is a nephew of Mr Chen Hsien Min, the managing director of the Company, and a cousin of Mr Chang Chih-Kai, an executive director of the Company. As at the latest practical date before the printing of this circular, Mr Chen is interested in 157,738,920 Shares within the meaning of Part XV of the Securities and Futures Ordinance, representing approximately 9.63% of the issued share capital of the Company.

Mr Chen's directorship with the Company is subject to the retirement by rotation pursuant to the Articles of Association. Mr Chen is entitled to a remuneration of HK\$1,093,000 per annum and a discretionary bonus which is determined by reference to his performance and operating results of the Group.

There is no information relating to Mr Chen that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. The Directors are not aware of any other matters relating to his re-election that need to be brought to the attention of the shareholders of the Company.

### **Mr Chen Hsien Min**

Mr Chen Hsien Min, aged 55, joined the Group since 1988 and is the managing director and one of the founders of the Group. Mr Chen is a director of certain subsidiaries of the Company and he has not held directorships in any other listed public companies in the last three years.

Mr Chen is responsible for the overall corporate planning and day-to-day operations of the Group, including production, marketing and sales activities and he has over 30 years of experience in the footwear industry. Mr Chen has a bachelor degree in Land Economics from the National Cheng Chi University of Taiwan.

Mr Chen Hsien Min is an uncle of Mr Chen Ying-Chieh, the chairman of the Company, and Mr Chang Chih-Kai, an executive director of the Company. As at the latest practical date before the printing of this circular, Mr Chen is interested in 14,500,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance, representing approximately 0.89% of the issued share capital of the Company.



<b>APPENDIX II</b>	<b>BIOGRAPHICAL DETAILS OF DIRECTORS TO BE RE-ELECTED</b>
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Mr Chen's directorship with the Company is subject to the retirement by rotation pursuant to the Articles of Association. Mr Chen is entitled to a remuneration of HK\$1,325,000 per annum and a discretionary bonus which is determined by reference to his performance and operating results of the Group.

There is no information relating to Mr Chen that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. The Directors are not aware of any other matters relating to his re-election that need to be brought to the attention of the shareholders of the Company.