

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** about this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold and/or transferred** all your securities in **Prime Success International Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**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)**

**PROPOSALS FOR  
GENERAL MANDATE TO REPURCHASE AND ISSUE SECURITIES  
AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of PRIME SUCCESS INTERNATIONAL GROUP LIMITED to be held at Ching Room of Sheraton Hong Kong Hotel and Towers at No. 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong, on Monday, 31 May 2004 at 11:15 a.m. (or soon thereafter as the annual general meeting of the Company to be convened at the same place and on the same day shall have been concluded or adjourned) is set out on pages 7 to 10 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of the Company in Hong Kong, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the meeting should you so wish.

29 April 2004

# CONTENTS

	<i>Page</i>
<b>Letter from the Board</b> .....	1
<b>Appendix I – Explanatory Statement</b> .....	4
<b>Appendix II – Notice of Extraordinary General Meeting</b> .....	7

## LETTER FROM THE BOARD



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. Chang Wen I (*Chairman*)

Mr. Chen Hsien Min (*Managing Director*)

Mr. Chen Ying-Chieh

*Independent Non-Executive Directors:*

Mr. Kuo Jung-Cheng

Mr. Huang Shun-Tsai

*Registered Office:*

Ugland House

South Church Street

P.O. Box 309

George Town

Grand Cayman

Cayman Islands

British West Indies

*Principal Place of Business:*

Room 608, Austin Tower

22-26A Austin Avenue

Tsimshatsui

Kowloon

Hong Kong

29 April 2004

*To the shareholders of Prime Success International Group Limited (the “Company”)*

*Dear Shareholder(s),*

### PROPOSALS FOR GENERAL MANDATE TO REPURCHASE AND ISSUE SECURITIES AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

#### 1. INTRODUCTION

The purpose of this circular is to provide you with information on the proposals to:

- (a) grant general mandates to the directors of the Company (the “**Directors**”) to repurchase and issue shares of the Company (the “**Shares**”);
- (b) amend the Articles of Association of the Company (the “**Articles of Association**”) to reflect the recent amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and

to give you notice of the extraordinary general meeting (the “**EGM**”) which will be held on 31 May 2004 at which a resolution approving item (b) above will be considered and voted upon.

## LETTER FROM THE BOARD

### 2. GENERAL MANDATE TO REPURCHASE SECURITIES

The general mandate granted to the Directors by the shareholders of the Company (the “**Shareholders**”) at the 2002 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 Monday, 31 May 2004 (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 requirement of 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.

### 3. GENERAL MANDATE TO ISSUE SHARES

The Directors will also propose at the Annual General Meeting an ordinary resolution to grant to 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 29 April 2004, being the latest practicable date prior to the printing of this circular, the Company had 1,557,892,384 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 311,578,476 Shares.

### 4. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

A special resolution will be proposed at the EGM to be held immediately after the forthcoming Annual General Meeting to amend the Articles of Association to reflect the recent amendments to the Listing Rules. The proposed amendments of the Articles of Association, which are set out in full in the notice of the EGM in Appendix II, have the following purposes:

- (1) where any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted (see the proposed new Article 77A(2));
- (2) subject to such exceptions specified in the Articles of Association, a Director shall not be entitled to vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associate(s) is materially interested and he shall not be counted in the quorum present at the meeting at which such contract or arrangement or proposal is considered (see the proposed new Articles 113(A)(ii), (iii), (iv) and (v)); and

## **LETTER FROM THE BOARD**

- (3) unless otherwise determined by the Directors and notified by the Company to the Shareholders, the length of the period, during which notice to the Company by Shareholders of the intention to propose a person for election as a Director and during which notice to the Company by such person of his willingness to be elected may be given, shall be at least 7 days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting (see the proposed amendment to Article 89).

The proposed amendments of the Articles of Association are set out in the notice of the EGM.

### **5. EXTRAORDINARY GENERAL MEETING**

Set out on pages 7 to 10 of this circular is a notice convening the EGM to consider the special resolution relating to the proposed amendments to the Articles of Association.

A form of proxy for use at the EGM is enclosed herein. Whether or not you are able to attend the EGM, you are requested to complete the proxy form and return it to the registrar of the Company in Hong Kong, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM. Completion and return of a proxy form will not preclude you from attending and voting at the meeting if you so wish.

### **6. 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.

### **7. RECOMMENDATION**

The Board considers that the proposed grant of the Shares Repurchase Mandate, the general mandate to issue Shares and the proposed amendments to the Articles of Association 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 and the EGM, respectively.

Yours faithfully,  
**CHANG WEN I**  
*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 (the “Shares Resolution”) referred to in item 5B of the notice of the annual general meeting of the Company to be held on 31 May 2004.

### **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 1,557,892,384 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 31 May 2004 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 155,789,238 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 financial statements) 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 memorandum and articles of association of the Company, 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 449,669,995 Shares, which constituted approximately 28.86 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 32.07 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:–

	<b>Share</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2003</b>		
April	0.148	0.122
May	0.147	0.130
June	0.153	0.137
July	0.247	0.137
August	0.247	0.210
September	0.350	0.260
October	0.335	0.300
November	0.310	0.280
December	0.335	0.290
<b>2004</b>		
January	0.610	0.295
February	0.610	0.490
March	0.610	0.530

By Order of the Board  
**CHANG WEN I**  
*Chairman*



unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

- (2) Where the Company has knowledge that any member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”
- (e) By deleting the words “at least seven days before the date of the general meeting appointed for such election and such notice may be given during a period of at least 7 days ending at the 7 days first mentioned in this Article” in the last sentence of Article 89 and replacing therewith the following proviso:

“provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (f) By deleting the existing Articles 113(A)(ii), 113(A)(iii), 113(A)(iv) and 113(A)(v) in its entirety and replacing therewith the following new Articles 113(A)(ii), 113(A)(iii), 113(A)(iv) and 113(A)(v):

“113(A)

- (ii) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:
  - (1) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
  - (2) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (3) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or

purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (4) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (5) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and his associate(s) are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
  - (6) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.
- (iii) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (iv) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

- (v) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

By Order of the Board  
**Ip Ching Bun Ben**  
*Company Secretary*

Hong Kong, 29 April 2004

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registrar of the Company in Hong Kong, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. The register of members of the Company will be closed from Tuesday, 25 May 2004 to Monday, 31 May 2004, both days inclusive, during which no share transfers will be effected. In order to qualify for the attendance of the extraordinary general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the registrar of the Company in Hong Kong, Secretaries Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 24 May 2004.