



[For Immediate Release]

**Prime Success 2004 Annual Results**  
**Turnover Rises 27% to HK\$1,789,000,000**  
**Profit Surges 1.1 Times to HK\$176,000,000**

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**Proactively Expanded Its Brand Business**

(22 April 2005 – Hong Kong) – An integrated footwear group with huge growth potential in the PRC, **Prime Success International Group Limited** (“Prime Success”/ the “Group”) (stock code: 210) today announced its annual results for the year ended 31 December 2004.

The Group achieved outstanding results with turnover surging 27% to HK\$1,789,000,000 in 2004. Profit attributable to shareholders grew significantly to HK\$176,000,000, surging 1.1 times from that in the previous year. Basic earnings per share was HK 11.33 cents, representing 2.1 times of that of the previous year.

The Board of Directors has recommended a final dividend of HK 2.0 cents per share with total dividends for the year amounting to HK 3.5 cents per share.

On top of the business growth, the Group attained an improved financial position. As at 31 December 2004, the Group’s cash and cash equivalent amounted to HK\$127,000,000. Its current ratio improved slightly from 1.64 in 2003 to 1.63 in 2004, while the gearing ratio decreased from 27.4% to 18.4% in 2004.

**Mr. Chen Ying-Chieh, Chairman of Prime Success** explained, “Riding on the improving global economy and the flourishing retail market, our Group achieved outstanding performance, particularly in our brand business. The OEM business also developed steadily during the year.”

Turnover of brand business, the Group’s core business segment, constituted 59.6% of the Group’s total turnover during the year, compared with 46.1% last year. Sales from “Daphne” increased by 52% to HK\$987,000,000 (2003: HK\$ 649,000,000), making up 55% of the Group’s total turnover. The business of “Shoebox” mega store is still in the developing stage. Sales from this business segment was HK\$12,000,000, accounting for 1% of the total turnover. Sales from the “Adidas - Original Collection” exclusive retail stores business amounted to HK\$68,000,000, constituting 4% of the total turnover.

OEM business is another core business of the Group, with U.S. as its major overseas export market. Turnover from this business segment decreased slightly by 5% to HK\$722,000,000 (2003: HK\$758,000,000), which accounted for 40.4% of the Group's total turnover. The decrease in turnover was mainly due to the Group's decision to direct more resources to boosting its own-brand business, which enjoyed higher profitability, in a bid to foster the Group's overall business growth.

Although raw material prices increased by around 2% during the year, through implementing various cost control measures and striving to secure more orders with higher profit margins, the operating profit of the Group's OEM business increased by 41% to HK\$66,000,000.

**Mr. Chen Hsien Min, Managing Director of Prime Success** said, "As the Chinese economy continues to grow, market demand for consumer goods follows to increase. That and the growing spending power of female consumers have created a female footwear market laden with growth potential. "Daphne" business recorded high growth in the year at the Group's effort to expand its sales and distribution network, and increase sales per store."

At the end of 2004, "Daphne" had a total of more than 1,500 selling points in the PRC (including 725 specialty stores and 297 counters), 283 more compared to 2003 (2003: 500 specialty stores and 239 counters).

Leveraging the recognized brand name of "Daphne" and heeding the strong consumption power of teenagers, the Group started to launch a new separate outlet chain – "Daphne D18" for Daphne's young collection of footwear, targeting female customers aged between 15 and 25. With the original "Daphne" brand appealing to female customers aged between 26 and 50, the addition of the new outlet chain will enrich the brand and enable the Group to expand its customer base and increase its share in the ladies' footwear market in the PRC.

Mr. Chen Hsien Min continued, "To satisfy the demands for different footwear of consumers in the PRC, the Group launched the "Shoebox" brand in May 2004. By the end of 2004, we had opened 21 "Shoebox" mega stores in cities like Beijing, Shanghai, Wuhan, Yangzhou and Suzhou. The Group has broadened its customer base to include the mass market. Though the "Shoebox" business is still in its development stage, market response has been better than expected, pointing to huge potential in the high quality low-priced footwear market in the PRC."

Besides, as the exclusive retail shop agent of the "Adidas - Original Collection" in the PRC, the Group has been managing the business in the past by appointing agent to operate specialty outlets for the brand. The operation of the "Adidas - Original Collection" business entered into a more established stage in 2004 and the Group stepped up expanding this business on its own to boost revenue. The Group increased from 3 specialty stores to 8 during the year, and expanded specialty counters from 12 to 30 during the year. They are all located in major cities including Shanghai, Beijing and Guangzhou to capture the ever-rising demand for athletic and casual footwear products and apparel of prestigious brands in the PRC.

The Group's production facilities in Fujian and Jiangsu commenced operations during the year. Two new production lines were installed to the production facility in Anhui, and two more would be added in 2005. This indicates the Group will have sufficient capacity to cater to massive new orders. Moreover, the Group completed the construction of its logistics centre in Shanghai. The construction of the logistics centres in Beijing and Fujian are expected to be completed in 2005, and those in Shenyang, Guangdong and Chengdu are estimated to be completed by 2006. The Group's goal is to build a sales and distribution network with nation-wide coverage in the PRC.

Mr. Chen Hsien Min said, "Looking ahead, the Group will strive to secure new customers and orders with higher profit margins for its OEM business, as well as actively expand other overseas markets such as Europe and Japan. At the same time, the Group will continue to expand the sales network of "Daphne", and to consider making a film associated with the "Daphne" brand. The film will help to strengthen consumer recognition of the "Daphne" brand and boost its value. Besides, to effectively expand into the young ladies footwear market, the Group appointed a young pop music band "SHE" as "Daphne D18" brand spokespersons."

The Group will embark on expanding the sales network of "Shoebox", opening more mega stores and extending the brand's market coverage to second and third tier cities. Also, the Group plans to accelerate the expansion of the Adidas specialty outlets to not less than 300 by 2008, in order to reap lucrative business returns arising from the 2008 Beijing Olympics.

Mr. Chen Ying Chieh concluded, "This year commemorates the 10th anniversary of the Group's listing in Hong Kong and the 15th anniversary of establishing the "Daphne" brand. I am pleased to see the achievements we have made which marks a new milestone for our business development. We will continue to develop and grow our existing businesses, while seeking cooperative opportunities to be engaged in up-market brand business and looking into new businesses that are favourable to the Group's continuous growth, so as to bring fruitful returns to our shareholders."

### **About Prime Success**

Established in 1987, Prime Success International Group Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited in 1995. The Group has been principally engaged in the manufacturing, marketing and distribution of footwear products under its own brand and on an OEM basis. Its major markets include the US, the PRC, Japan and Europe. In 1990, the Group launched its footwear business in the PRC under the brand name “Daphne” which is now the leading brand of ladies’ footwear in the PRC with over 1,500 selling points, of which over 700 are Daphne specialty shops and about 300 are counters in the department stores. In August 2002, Prime Success formed a JV, which was granted an exclusive retail shop right for “Adidas - Original Collection” in the PRC. At present, over 40 Adidas specialty outlets are operated in the PRC. In the mid 2004, the Group launched “Shoebox” mega stores targeting the mass market and started to plan the launch of a new separate outlet chain – “Daphne D18” for Daphne’s young collection, targeting the young female customers.

### **For press enquiries:**

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***(N.B.: Enclosed please find the Consolidated Profit & Loss Account of Prime Success International Group Limited.)***

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PRIME SUCCESS INTERNATIONAL GROUP LIMITED  
 CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<b>Year ended 31 December</b>	
	<b>2004</b>	<b>2003</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>TURNOVER</b>	<b>1,788,539</b>	<b>1,407,007</b>
Cost of sales	(1,104,010)	(988,604)
<b>GROSS PROFIT</b>	<b>684,529</b>	<b>418,403</b>
Other revenues	8,207	6,212
Selling and distribution expenses	(325,518)	(205,739)
General and administrative expenses	(130,323)	(111,067)
<b>OPERATING PROFIT</b>	<b>236,895</b>	<b>107,809</b>
Finance costs	(3,085)	(5,780)
Share of results of an associated company	256	230
<b>PROFIT BEFORE TAX</b>	<b>234,066</b>	<b>102,259</b>
Tax	(53,069)	(15,444)
<b>PROFIT AFTER TAX</b>	<b>180,997</b>	<b>86,815</b>
Minority interests	(4,777)	(3,880)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>176,220</b>	<b>82,935</b>
<b>EARNINGS PER SHARE</b>		
- Basic	HK11.33 cents	HK5.51 cents
- Diluted	HK11.07 cents	HK5.50 cents