



Prime Success International Group Limited

永恩國際集團有限公司

2003 Annual Results Announcement

20 April 2004

Positioning

Prime Success

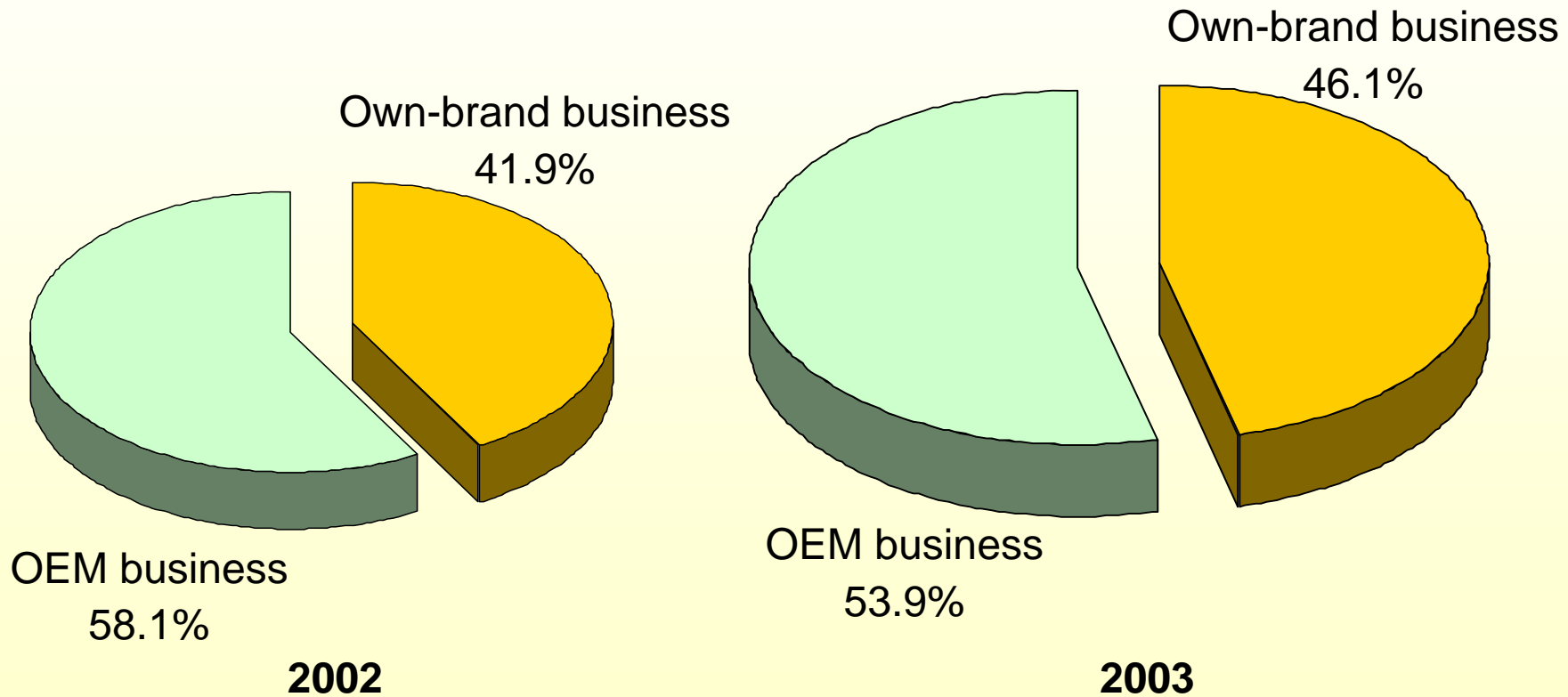
- ❖ *An Integrated footwear group that actively develops its own-brand footwear business in the PRC and further expands to Adidas footwear and sportswear business; the group also focuses on high margin OEM footwear business for export market*

Financial Highlights

- Turnover reached a new high to HK\$1,407,007,000 in 2003
- Net profit jumped by more than twofold to HK\$ 82,935,000, basic earnings per share were HK 5.51 cents
- OEM business and Own-brand “Daphne” business experienced strong growth with turnover increasing by 10.5% and 31.2% respectively
- New business of the exclusive retail shop right for the “Adidas” “Original Collection” in the PRC started to bring in revenue
- Final dividend was HK1.5 cents per share

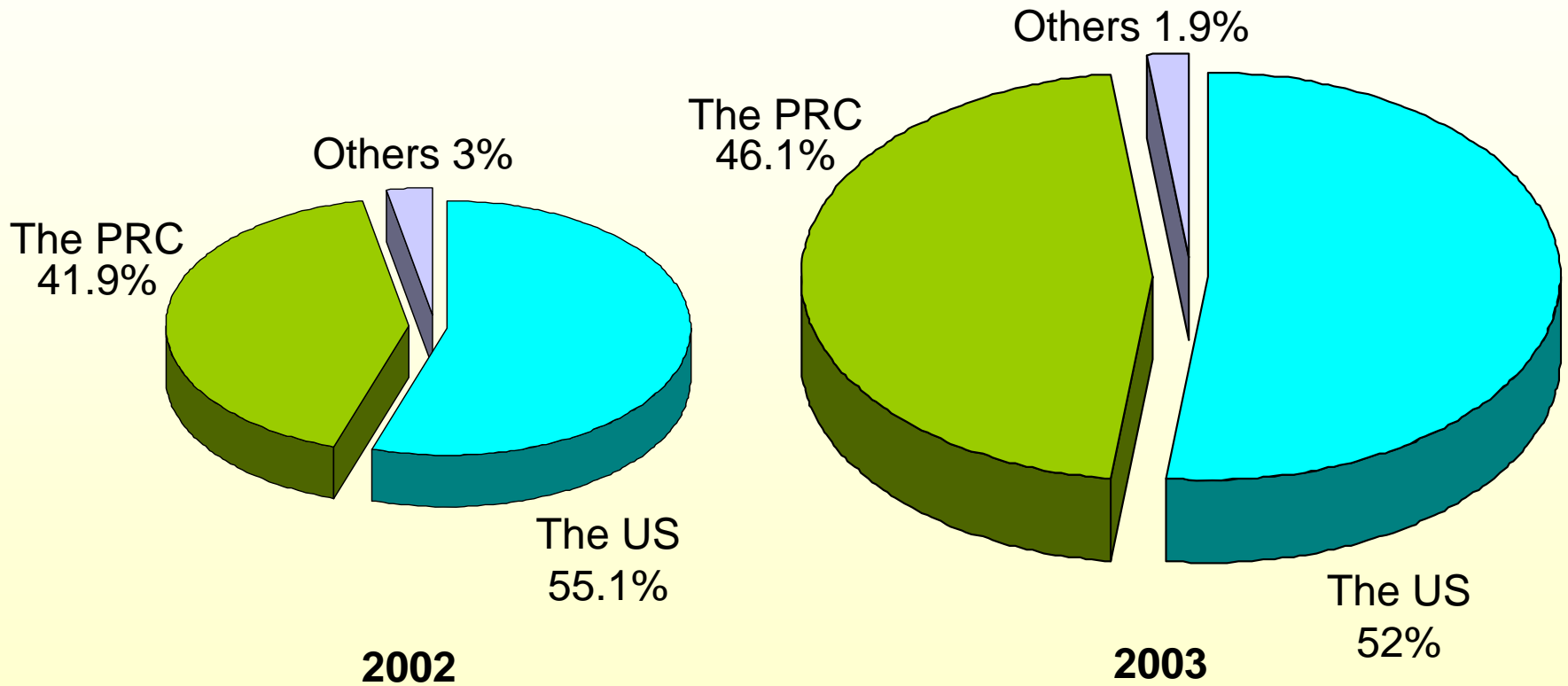
Business Review

Turnover Breakdown by Business



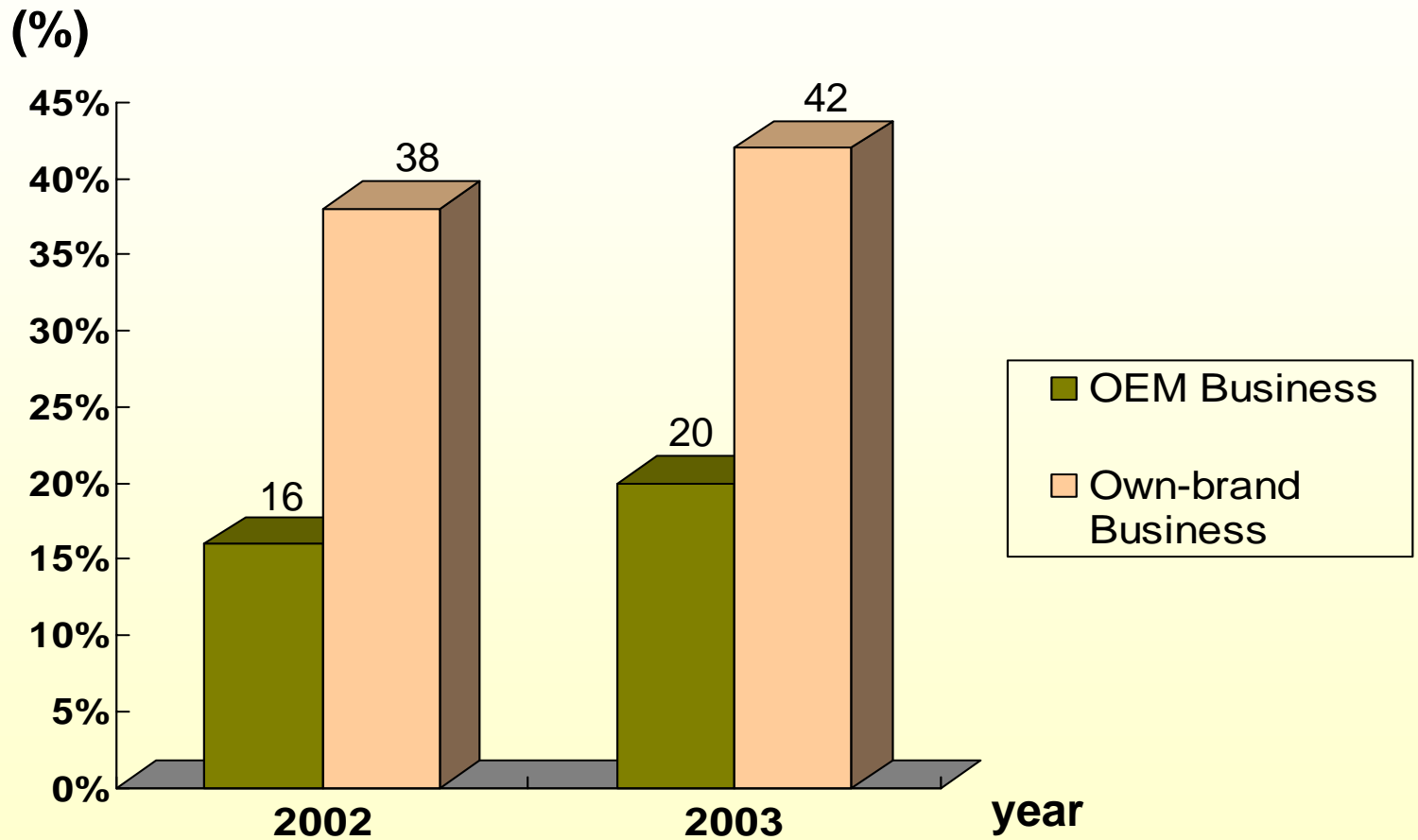
For the year ended 31 Dec

Turnover Breakdown by Market



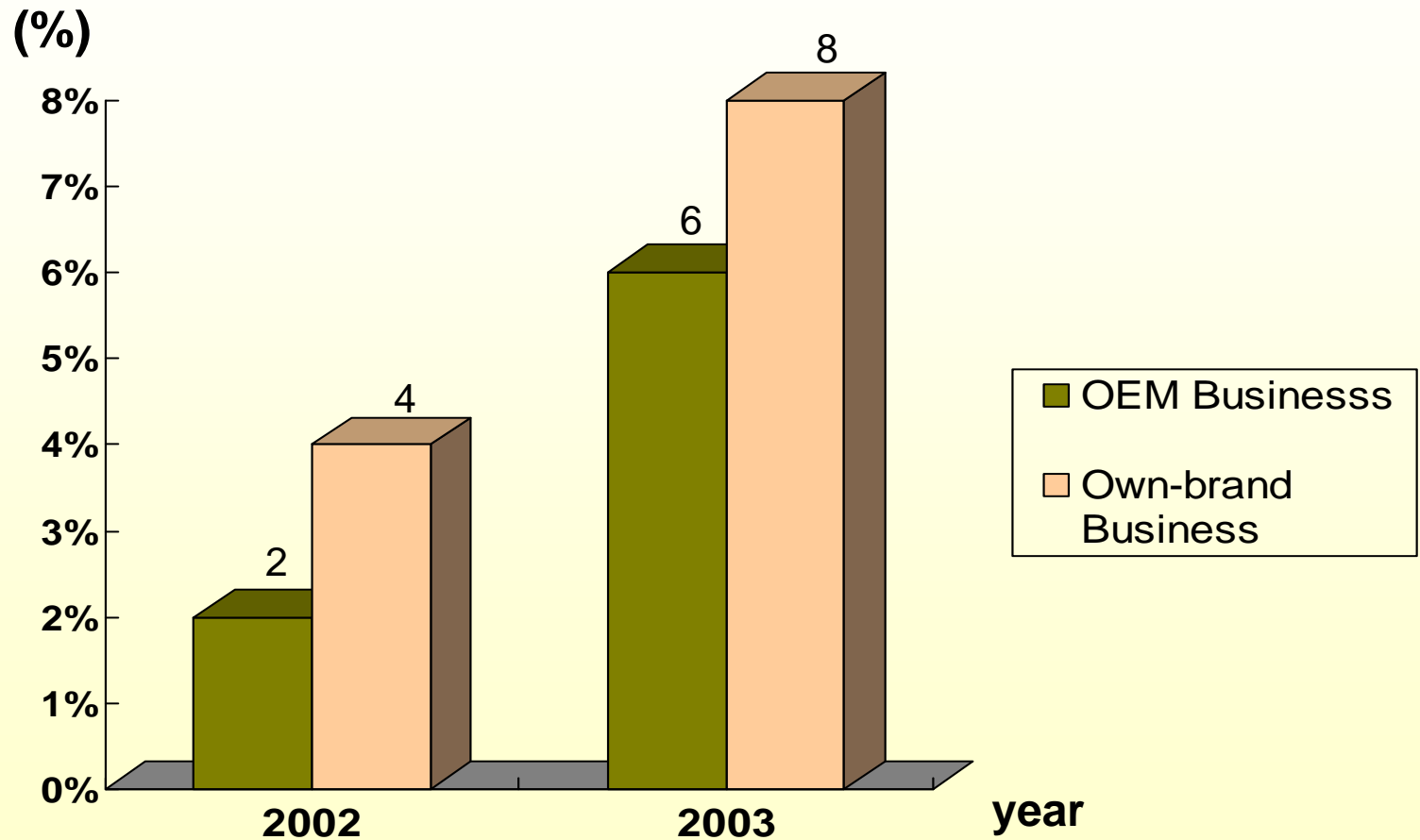
For the year ended 31 Dec

Gross Profit Margin Analysis



For the year ended 31 Dec

Net Profit Margin Analysis



For the year ended 31 Dec

OEM Business

- Turnover increased by 10.5% to HK\$757,856,000 (2002: HK\$685,969,000)
- Benefiting from the favourable business environment worldwide, especially the faster than expected recovery of confidence in consumer sentiments in the US, operating profit grew over 2 times to HK\$46,811,000 (2002: HK\$14,737,000)
- Implement stringent cost control and focus on developing higher margin products
- Major export market: the US
- Orders on hand: over HK\$300,000,000

Own-brand Business

- The Group's major business in the PRC, including integrated manufacturing and distribution
- Reported a record high in turnover to HK\$649,151,000, representing an increase of 31.2% (2002: HK\$494,700,000)
- Operating profit surged 1.7 times to HK\$53,620,000 (2002: HK\$19,556,000)
- “Daphne” is a leading brand of ladies’ footwear in the PRC with over 2,000 selling points distributed throughout the PRC, including 500 “Daphne” specialty shops and 200 “Daphne” counters in department stores
- Mature operations with well-established sales and distribution network throughout the PRC
- Scalable customer base provides stable income for the Group

“Adidas” Exclusive Retail Shop Right

- Rapid growth in the past year, generating HK\$815,000 agency fee income for Prime Success
- Appointed an agent to operate over 15 specialty shops for “Adidas” “Original Collection” in 3 major cities in the PRC
- Leveraging Prime Success’ solid experience for distribution business in the PRC market and benefiting from 2008 Olympic Game in Beijing , Adidas business will continue to grow with huge potential



Financial Performance

Financial Performance

For the year ended 31 Dec

	2003 (HK'000)	2002 (HK'000)	Change (%)
Turnover	1,407,007	1,180,669	+19.2%
Gross Profit	418,403	300,814	+39.1%
Gross Margin	29.7%	25.5%	improved
Net Profit	82,935	25,849	+221%
Net Margin	5.9%	2.2%	improved
Basic Earnings Per Share	HK 5.51cents	HK1.73 cents	+218%

Key Financial Figures

As at 31 Dec

	2003 (HK\$'000)	2002 (HK\$'000)	Change (%)
Cash and Cash Equivalent	146,680	129,944	+12.9%
Shareholders' Fund	402,910	347,817	+15.8%
Bank Borrowing	110,313	150,580	-26.7%
Gearing Ratio	27.4%	43.3%	Improved
Current Ratio	1.64 times	1.48 times	improved
Account Receivable Turnover	21.7 days	40.9 days	improved
Inventory Turnover	112.6days	115.4days	improved

Prospects

OEM Business

- Continue to develop the US market



Own-brand Business

- Continue to focus on developing the PRC market
- Further expand Daphne's sales and distribution network to various regions in the PRC, enlarging its market share
- Launch a new brand of footwear for all genders and ages
- Plan to form a JV with other partners to jointly operate the new brand footwear business
- Appoint an agent in the PRC to open mega shoe-marts in some major cities, extending its market coverage

Expand Production Facilities

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graph TD; A[Set up two production plants to cope with the increased orders  
Expect to commence operation in 2004 Q1] --> B[Set up logistic centres in Shanghai, Beijing, Shenyang & Fujian  
Expect Shanghai centre to commence operation in 2004 Q2  
Expect other centres to commence operations by Dec 2005]; B --> C([Effectively reduce cost in warehousing & transportation  
Enjoy economies of scales]);
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Set up two production plants to cope with the increased orders
Expect to commence operation in 2004 Q1

Set up logistic centres in Shanghai, Beijing, Shenyang & Fujian
Expect Shanghai centre to commence operation in 2004 Q2
Expect other centres to commence operations by Dec 2005

**Effectively reduce cost
in warehousing & transportation**
Enjoy economies of scales

Enhance Internal System

**Implement
Enterprise
Resources
Planning
System**



**Enhance and
speed up
financial and
management
reporting
process**

Capture Business Opportunities in the PRC

Well established and scalable sales and distribution network

Add 30 Adidas specialty shops

Expand Daphne's sales & distribution network

Plan to open 5 new brand name shoe-marts

Footwear market continue to grow in the PRC

*Increase market share
Broaden income stream
Keep business growth*



Q & A