



Prime Success Announces 2003 Annual Results

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Turnover Rises 19.2% to HK\$1,407,007,000

Profit Surges 2.2 Times to HK\$82,935,000

(20 April 2004 – 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, 2003.

Driven by the strong market demand for footwear products and along with dedication from the management and staff, the Group achieved outstanding results with turnover surging 19.2% to HK\$1,407,007,000 in 2003. Profit attributable to shareholders grew significantly to HK\$82,935,000, surging 2.2 times from that in the previous year. Basic earnings per share were HK 5.51 cents, representing an increase of 218% as compared to the previous year.

The Board of Directors has recommended a final dividend of HK 1.5 cents per share with total dividend for the year amounting to HK 2.5 cents per share.

Mr. Chang Wen I, Chairman of Prime Success said, “2003 is a challenging yet fruitful year for the Group. Though there were some disruptions caused by the SARS outbreak in the first half in certain Asian countries, the recovery in the second half came more quickly than initially expected, particularly in China. We take pride in reporting a satisfactory performance with substantial growth. Building on our strong sales and distribution network in the PRC, proven track record in the footwear market and successful expansion plan, we look forward to highly promising prospects in the years to come.”

On top of the business growth, the Group attained an improved financial position. As at 31 December 2003, the Group’s cash and cash equivalent amounted to HK\$146,680,000. Its current ratio and gearing ratio were 1.64 times and 27.4% respectively.

The OEM business, one of the two core businesses of the Group, reported a rapid growth of 10.5% in turnover to HK\$757,856,000 (2002: HK\$685,969,000), which accounted for 53.9% (2002: 58.1%) of the Group's total turnover. The turnover breakdown by business has shifted gradually towards its own-brand business because the sales growth in the PRC market has been much faster than in other places of the world. Operating profit from the OEM business to the Group jumped by 2.2 times to HK\$46,811,000 (2002: HK\$14,737,000).

Mr. Chen Hsien Min, Managing Director of Prime Success added, “We also leveraged on our stringent control in production cost and well-focused strategy of offering higher margin products to attain the successful results. In addition, Prime Success has benefited from the faster than expected recovery of confidence in consumer sentiments, particularly in the US, providing a favourable economic environment for the Group's footwear business.”

As a result of a strong consumer demand for ladies shoes in the PRC market, the brand name recognition of “Daphne” as well as a strong sales and distribution network, the Group's own-brand business recorded a new high in turnover of HK\$649,151,000 (2002: HK\$494,700,000), a 31.2% increase over the previous year.

During the year under review, over 2,000 Daphne selling points including 500 “Daphne” specialty shops and 200 “Daphne” counters were distributed throughout China, contributing substantial earnings to the Group. Operating profit from the own-brand business surged by 1.7 times from HK\$19,556,000 in the previous year to HK\$53,620,000 in 2003. Prime Success will continue to explore further business opportunities by gradually opening more selling points, with the objective of building a more extensive sales distribution network to increase the market share and enhance its competitive advantage.

“Following the success in obtaining the exclusive retail shop right for Adidas “Original” collection in the PRC through a JV in August 2002, so far our appointed agent in China has set up over 15 Adidas “Original” collection specialty shops in the PRC, generating revenue of HK\$815,000 from agency fee,” Mr. Chen said.

In view of the ever-increasing demand for prestigious branded athletic and casual footwear and apparel in the PRC, the Group foresees that a high growth in revenue for the Adidas business will be attained. The agent plans to open additionally at least 30 Adidas specialty shops in 2004.

In line with its corporate strategy of products expansion and diversification, Prime Success speeded up its process of increasing production capacity and offerings of high value-added products with higher profit margins. In late 2003, the Group decided to set up two production plants, to expand its manufacturing capacity to cope with the increased orders.

Furthermore, the Group decided to set up four logistic centers in China in 2004. They will be located in Shanghai, Beijing, Shenyang and Fujian, being transportation hubs in the PRC. Operation of the logistic centre in Shanghai will commence in the second quarter of 2004 and the rest of the logistic centers are scheduled to be completed by the end of 2005. The management believes the costs in warehousing, transportation and freight will be further reduced effectively and efficiently through these well-equipped production developments.

Mr. Chen continued, “Looking ahead, Prime Success will be actively seeking new business opportunities. With our well-developed sales and distribution network and the growth opportunities in the footwear industry in the PRC, we have joint venture with other partners to introduce a new brand of footwear for all genders and ages. We will appoint agents to open mega shoe-marts for this new brand in some major cities to make further penetration into this lucrative market.”

To further enhance and speed up the financial and management reporting process of the Group, the management has also decided to implement an ERP system and has always advocated its establishment of ERP system.

Mr. Chang concluded, “With the above exciting developments in place, together with our scalable operation with higher margins and our professional and experienced staff, Prime Success will increase the tempo of our activities, marching towards our goal to become the leading integrated footwear group in the region.”

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 2,000 selling points, of which over 500 are Daphne specialty shops and over 200 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 15 Adidas specialty shops are operated in the PRC.

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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

| | Year ended 31 December | |
|---|-------------------------------|-------------------------------|
| | 2003 (Audited) HK\$'000 | 2002 (Audited) HK\$'000 |
| TURNOVER | 1,407,007 | 1,180,669 |
| Cost of sales | (988,604) | (879,855) |
| GROSS PROFIT | 418,403 | 300,814 |
| Other revenues | 6,212 | 7,492 |
| Selling and distribution expenses | (205,739) | (166,477) |
| General and administrative expenses | (111,067) | (103,496) |
| Surplus on valuation of an associated company | - | 13,000 |
| OPERATING PROFIT | 107,809 | 51,333 |
| Finance costs | (5,780) | (9,009) |
| Share of results of an associated company | 230 | 243 |
| PROFIT BEFORE TAX | 102,259 | 42,567 |
| Tax | (15,444) | (11,044) |
| PROFIT AFTER TAX | 86,815 | 31,523 |
| Minority interests | (3,880) | (5,674) |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | 82,935 | 25,849 |
| EARNINGS PER SHARE | | |
| - Basic | HK 5.51cents | HK 1.73cents |
| - Diluted | HK 5.50cents | HK 1.73cents |