

[For Immediate Release]



## **Prime Success Announces 2004 Interim Results**

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### **Turnover Increases 25% to HK\$839.6 million Net Profit Surges 2.2 Times to HK\$66.0 million**

(23 September 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 interim results for the six months period ended 30 June 2004.

The Group recorded remarkable interim results with turnover grew by 25% to HK\$839.6 million compared with the same period last year (2003: HK\$673.9 million). Profit attributable to shareholders was HK\$66.0 million (2003: HK\$20.7 million), a surge of 2.2 times over last year. Gross profit margin increased to 36% from last corresponding period’s 26%, while the net profit margin also rose to 8% from 3%. These outstanding results were mainly attributable to the Group’s proactive expansion of its sales and distribution business in response to the huge demand for footwear products in the PRC, as well as the implementation of stringent cost control. The Group successfully enhanced its profitability.

During the review period, basic earnings per share of the Group was HK 4.26 cents, representing approximately 3.1 folds of that for the same period last year. The board of directors recommended the payment of an interim dividend of HK 1.5 cents per share for the year ending 31 December 2004.

**Mr. Chang Wen I, Chairman of Prime Success** said, “As the people in China become more affluent, Chinese consumers are increasingly prone to trendy products, generating great potential demand for mid-to-high-end casual footwear products. The phenomenon presented the Group with an advantageous business environment for extending its market coverage and developing new footwear products. In the first half of 2004, the Group capitalised on the huge opportunities arising in the PRC market, continued to develop its business proactively, and hence successfully raised its turnover and profit.”

The Group maintained a healthy financial position. As at 30 June 2004, the Group’s cash and cash equivalent amounted to HK\$144 million. Its current ratio and gearing ratio were 1.66 times and 23.8% respectively.

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OEM business, one of the Group's traditional core businesses, managed to record a steady turnover of HK\$373.6 million in the period under review (2003: HK\$380.2 million), constituting 44.5% of the Group's total turnover (2003: 56.4%). **Mr. Chen Hsien Min, Managing Director of Prime Success** said, "Leveraging on a series of stringent cost control measures and adopting the strategy of focusing on the production of high margin products, the Group's OEM segmental operating profit increased by 1.49 times to HK\$19.7 million (2003: HK\$7.9 million). The US continued to be the Group's largest overseas export market.

The Group's own ladies' footwear brand, "Daphne", is a leading footwear brand in the PRC and reported a record high of 59% increase in turnover to HK\$466.0 million (2003: HK\$293.7 million) during the review period. Its operating profit also surged 1.99 times from HK\$20.2 million in the same period last year to HK\$60.4 million.

As the operation of "Daphne" gets more mature, it has built up a sizable customer base. To further expand the sales and distribution network of "Daphne", in the past six months, the Group had added more than 250 new selling points of "Daphne" in various cities, bringing the total number of "Daphne" selling points to over 2,000, including 600 specialty shops and 262 "Daphne" counters. With more "Daphne" selling points set up, the Group's revenue base was further broadened.

To facilitate the development of its core sales and distribution business, the Group will endeavour to diversify its products, map out strategies to grow its markets and strive to grow its business in line with consumers' demands and market trend.

**Mr. Chen** continued, "The Group will continue to open "Daphne" selling points in major cities, the second and third-tier cities in China, so as to effect market diversification and further penetration of the brand in the market. The Group aims to increase the number of "Daphne" specialty stores and "Daphne" counters to 700 and 300 respectively within 2004."

In less than two years through its appointed agent, the Group had opened 29 exclusive specialty shops and counters for "Adidas" "Original Collection" in major cities in the PRC including Shanghai, Beijing and Guangzhou. These specialty stores generated a total agency fee of approximately HK\$0.9 million, bringing in satisfactory revenue for the Group. Benefiting from the positive outlook of the consumption market in the PRC and recent mega sports events such as the recent 2004 Athens Olympics and the 2008 Beijing Olympics, the management believes the demand for prestigious branded athletic and casual footwear and apparel in the PRC has continued to rise. All these present immense potential for future development of the Group's Adidas business. The Group's agent plans to open 16 additional Adidas specialty stores and counters in the second half of the year, bringing the total number to 45 by the end of 2004.

In view of the ever-rising demand for footwear products in the PRC market, the Group launched a new brand “Shoebox”, targeting both genders and various age groups. This was to further expand its customer portfolio and penetrate into the mass market. An agent was appointed by the Group to open “Shoebox” mega stores in major cities. Five “Shoebox” mega stores in Zhengzhou, Yangzhou, Suzhou, Shanghai and Wuhan respectively were opened around May to June this year. The floor area of each store is between 400 square metres and 600 square metres. Leveraging its diversified product range plus reasonable pricing, the Group believes that “Shoebox” will gain in popularity in the market, and gradually bring in sales revenue for the Group.

**Mr. Chen** said, “As for ‘Shoebox’, 12 mega stores are under operation at present. In the future, new selling points are being planned by the Group with a target of opening a total of 30 stores in Zhejiang, Jiangsu, Sichuan, Guangdong, Guangxi, Shandong and Hunan in 2004. The moves will serve to build up an extensive distribution network for the Group and lift up the popularity of the brand.”

Launched in the first half of 2004, “Shoebox” has been receiving positive market response. The Group will implement a series of strategies in the next six months, including the launch of a new brand “Daphne Young” to further enrich its product portfolio and reinforce its brand promotion effects. “Daphne Young” is another ladies’ footwear brand established by the Group, with young ladies as the target customers. “Daphne Young” selling points will be introduced in 2005.

Furthermore, the Group’s production facilities in Fujian and Jiangsu commenced operations in the review period to cope with the increased new orders. In the meantime, the logistic centre in Shanghai with an investment of approximately HK\$12.7 million had also commenced operation. Equipped with advanced computer system, this logistic centre can effectively handle the warehousing, transportation and freight of products, helping to further reduce costs and allowing the Group to enjoy economies of scale. The constructions of other logistic centres, located in major cities like Beijing, Shenyang and Fujian are expected to be completed by the end of 2005. In order to achieve an extensive nation-wide sales and distribution network which allows it to better serve consumers across the territory, the Group recently decided to construct 2 logistic centres in Guangdong and Chengdu in addition.

**Mr. Chen** continued, “Looking forward to the second half of the year, the Group will strive to maintain strong business growth. With the continual growth of the PRC economy and the ever-increasing consumption power of its people, the management is confident in achieving significant growth for its sales and distribution business in the future. The Group currently has over HK\$200 million worth of orders on hand.”

**Mr. Chang** concluded, “As one of the leading footwear groups with the most popular ladies’ footwear brand in the PRC, the Group will strive for better returns for investors and business partners in the future. Looking ahead, the management is optimistic about the long-term development of the Group’s sales and distribution business, and expects to maintain promising results in the years to come.”

#### **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 is 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 600 are Daphne specialty shops and 262 are counters in the department stores. In August 2002, Prime Success formed a JV was granted an exclusive retail shop right for the Adidas “Original” collection in the PRC. At present, there are over 29 Adidas specialty shops in the PRC. In addition, the Group launched its new brand “Shoebox” with the opening of 5 mega shoe-marts in Zhengzhou, Yangzhou, Suzhou, Shanghai and Wuhan this year.

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**Prime Success International Group Limited**  
**2004 Interim Results Announcement**  
*Consolidated Profit and Loss Account*

	<i>Unaudited</i>	
	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>(As restated)</i>	
	<u>2004</u>	<u>2003</u>
	<u>HK\$' 000</u>	<u>HK\$' 000</u>
<b>Turnover</b>	839,572	<b>673,900</b>
<b>Cost of sales</b>	(533,827)	<b>(496,140)</b>
<b>Gross profit</b>	305,745	<b>177,760</b>
<b>Other revenues</b>	3,693	<b>2,643</b>
<b>Selling and distribution expenses</b>	(166,158)	<b>(92,940)</b>
<b>General and administrative expenses</b>	(61,218)	<b>(56,796)</b>
<b>Operating profit</b>	82,062	<b>30,667</b>
<b>Finance costs</b>	(1,537)	<b>(3,133)</b>
<b>Share of result of an associated company</b>	107	<b>123</b>
<b>Profit before taxation</b>	80,632	<b>27,657</b>
<b>Taxation</b>	(12,356)	<b>(3,685)</b>
<b>Profit after taxation</b>	68,276	<b>23,972</b>
<b>Minority interests</b>	(2,246)	<b>(3,277)</b>
<b>Profit attributable to shareholders</b>	66,030	<b>20,695</b>
<b>Dividends</b>	23,368	<b>14,984</b>
<b>Earnings per share</b>		
- basic	HK4.26 cents	<b>HK1.38 cents</b>
- diluted	HK4.18 cents	<b>N/A</b>