



## **Prime Success 2005 Turnover Rises 47% to HK\$2,622,677,000 Profit Surges 44% to HK\$254,593,000**

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### **Brand Business Reaches New Heights**

(20 April 2006 – Hong Kong) – An integrated footwear group with huge growth potential in China, **Prime Success International Group Limited** (“Prime Success”/ the “Group”) (stock code: 210) today announced its annual results for the year ended 31 December 2005.

The Group achieved outstanding results with turnover surging 47% to HK\$2,622,677,000 in 2005. Profit attributable to shareholders increased by 44% to HK\$254,593,000 as compared with the previous year. Basic earnings per share were HK15.72 cents, up 39% from that in the previous year. The remarkable growth was attributable to the increase of high margin orders, outstanding performance of its brand business, effective cost control measures and improved economies of scale during the year.

The Board of Directors recommended the payment of a final dividend of HK2.5 cents per share with total dividends for the year amounting to HK5.0 cents per share.

The Group attained an improved financial position. As at 31 December 2005, its cash and cash equivalents amounted to HK\$146,467,000. The Group’s current ratio improved from last year’s 1.60 to 1.70 in 2005, and the gearing ratio remained at the level of 18%.

**Mr. Chen Ying-Chieh, Chairman of Prime Success**, explained, “The flourishing global economy and China market have seen per capita income grew steadily. There is a growing demand for quality consumer products in China, which is fuelling the country’s retail industry including the business of Prime Success. The Group has achieved outstanding performance particularly with its brand business. Our OEM business also developed steadily during the year.”

Continued to be one of the Group’s core segments, OEM business recorded a 10% growth in turnover to HK\$795,336,000 (2004: HK\$721,724,000) during the year, accounting for 30% of the Group’s total turnover. The continuous improvement of the US market, the Group’s major export market, has driven the OEM business up and brought in more new orders. Although raw material costs increased slightly during the year, at the various cost control measures taken by the Group in the efforts to secure higher margin orders, the gross profit margin and operating margin of the segment stood at 24% and 14% (2004: 22% and 9%) respectively. Operating profit of the business also increased by 71% to HK\$112,849,000 (2004: HK\$66,083,000).

Brand business remains as the Group’s core business segment that yields higher profit margin. During the year under review, the Group’s turnover of the brand business increased 71% to HK\$1,827,341,000 year-on-year, accounting for 70% (2004: 60%) of the Group’s total turnover. Turnover from “Daphne” increased substantially by 60% to HK\$1,574,100,000 (2004: HK\$986,878,000), making up 60% of the Group’s total turnover. The “Shoebox” business, which was still in its initial development stage, recorded a turnover of HK\$75,207,000, accounting for 3% of the Group’s total turnover. Turnover from the “Adidas – Original Collection” reached HK\$178,034,000 in 2005, accounting for 7% of the Group’s total turnover.

**Mr. Chen Hsien Min, Managing Director of Prime Success**, said, “The improving living standard in China has bred a demand for better quality ladies’ footwear among middle income female in the country. Leveraging this favourable market environment, the Group registered a strong surge in both turnover and profit for its own ladies’ footwear brand “Daphne” business during the year under review. The outstanding performance was also attributable to the Group adding more points-of-sale in China and effective marketing, which consolidated “Daphne” as a leading ladies footwear brand in China.”

As at 31 December 2005, “Daphne” operated over 1,443 points-of-sale across the country, including 1,070 stores and 373 counters, a significant increase of 421 from the end of 2004 (2004: 725 stores and 297 counters).

To further expand the market share of “Daphne”, the Group split the brand into two series, namely “Daphne D18” and “Daphne D28”, both of which have been well received in the market. Seeing huge potential in the young female footwear market with their strong purchasing power and appetite for stylish shoes, the Group re-launched the young collection with a new approach by calling it “Daphne D18” that targets young female group aged between 15 and 25. The remaining collections for the original “Daphne” collections are now being carried in the “Daphne D28” points-of-sale which continues to target female customers aged between 26 and 50. The Group is dedicated to providing tailored products to female customers from different age groups.

In order to promote the “Daphne” brand image further, the Group looked at various channels. “Daphne” is one of the first brands to launch new products on the “Promotional Catwalk” by professional models in China. The Group continued to sponsor music video productions of pop artists to promote its products. Besides, the Group continued during the year to appoint “S.H.E”, a popular girl group of entertainers from Taiwan, as the spokeswomen of “Daphne D18”, while the famous Taiwanese actress Ms. Rene Liu (劉若英) spoke for “Daphne D28”. The Group will continue to invest strategically in promoting the “Daphne” brand. One of the notable investments in 2006 is the film “I Love Daphne” (the name of the film has yet to be confirmed) starring the famous actor Mr. Ritchie Ren (任賢齊) and the famous actress Ms Rene Liu.

Mr. Chen continued, “To satisfy mass market demand, the Group launched the “Shoebox” store in May 2004. Since then an extensive customer base has been built and the brand has reached more of the mass market. Braced by better than expected market response, the brand, still in the investment stage, saw loss narrowing. During the year under review, “Shoebox” opened 54 new stores at major cities including Beijing, Shanghai, Wuhan, Yangzhou, Suzhou and Guangzhou, etc. Currently, it has over 75 points-of-sale across China.”

The Group obtained the exclusive retail shop right from Adidas on its “Original Collection” in China. During the year, the Group opened two new Adidas stores, bringing the total to 10. The number of counters, which are located in major cities including Shanghai, Beijing and Guangzhou, also increased from 30 to 81. In addition to Adidas securing the sponsorship contract for the 2008 Beijing Olympics, the brand can expect to see its image further enhanced in China.

The Group’s new processing plants in Fujian and Jiangsu commenced operation last year. Two additional production lines at its Anhui production plant also started operation, meaning they have the capacities to satisfy increasing demands. The two logistics centres in Shanghai and Fujian have started operating in the last 24 months. In the meantime, the logistics centres in Beijing and Shenyang are expected to commence operation in the first half of 2006. These two new centres will also employ the state-of-the-art storage systems to maintain the inventory hence making the production planning even more efficient, as well as to track the status of inventory at almost on the real time basis, offering faster and more convenient transportation and supply services to the Group.

Mr. Chen Hsien Min stated, “Looking forward, as the US economy improves and the Group steps up efforts to develop different overseas markets and obtains higher margin orders, steady

growth is expected for the OEM segment in the coming year. The Group will continue to expand the sales network of “Daphne”, targeting to add at least 400 points-of-sale in 2006. Moreover, the Group will begin to develop the Taiwan market, introducing “Daphne” to consumers overseas. The Group is consciously considering launching other new product series such as kid footwear, to attract different types of customers. “Daphne” brand is also being licensed to other manufacturers to develop products in different categories such as handbags, wallets, and other footcare products. A most recent addition to this category is the eyewear products, which are not only target to be sold in China but will also be sold throughout other Asian countries. The eyewear product venture will provide the strategic channel to position the “Daphne” brand to other countries outside China, which has been one of the missions of the Group. The success of the eyewear product venture will see other accessories such as watches and other fashionable consumer products to be added to this category in the near future.”

Regarding the “Shoebox” business, in its initial development stage, the Group focused on expanding sales network of the brand to achieve economies of scale. The Group plans to open at least 70 stores in 2006 and also to extend reach of the brand to second and third tier cities. The Group is confident that “Shoebox” will turn around in 2006.

Capitalising on the 2008 Beijing Olympics, the Group intends to expand the “Adidas – Original Collection” points-of-sale from the current 90 to at least 300 points-of-sale. This will be the biggest opportunity in the coming two years; the Group has also decided to invest more resources in the marketing activities to maximise on the return of this extravaganza event to further expand its market share.

Mr. Chen Ying-Chieh concluded, “The Group will continue to expand its brand and product portfolios to further enrich its product series. It will also consider introducing other new brands and types of consumer products that can benefit the development of Prime Success. The Group looks forward to sharing fruitful returns with its shareholders.”

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#### **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 for its own brands and on OEM basis. Its major markets include the US, China and Europe. In 1990, the Group launched its footwear business in China under the brand name “Daphne” which is now the leading ladies’ footwear brand in China. It has currently over 2,000 points-of-sale in China. In September 2002, Prime Success formed a JV that was granted the exclusive retail shop right for the “Adidas - Original Collection” in China. Currently, the Group runs more than 90 Adidas stores in China. In addition, the Group launched its new brand “Shoebox” in 2004 and there are currently over 75 stores carrying the brand in Beijing, Shanghai, Wuhan, Yangzhou, Suzhou and Guangzhou etc.

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

PRIME SUCCESS INTERNATIONAL GROUP LIMITED  
2005 CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<b>Year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
		<i>(Restated)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>	<b>2,622,677</b>	<b>1,788,539</b>
Cost of sales	<u>(1,478,734)</u>	<u>(1,104,010)</u>
<b>GROSS PROFIT</b>	<b>1,143,943</b>	<b>684,529</b>
Other revenues	6,260	8,207
Selling and distribution expenses	(689,485)	(325,518)
General and administrative expenses	<u>(137,314)</u>	<u>(130,323)</u>
<b>OPERATING PROFIT</b>	<b>323,404</b>	<b>236,895</b>
Finance costs	(4,441)	(3,085)
Share of profit of an associated company	<u>253</u>	<u>187</u>
<b>PROFIT BEFORE TAX</b>	<b>319,216</b>	<b>233,997</b>
Tax	<u>(63,160)</u>	<u>(53,000)</u>
<b>PROFIT FOR THE YEAR</b>	<b>256,056</b>	<b>180,997</b>
<b>PROFIT ATTRIBUTABLE TO:</b>		
Shareholders of the Company	<b>254,593</b>	<b>176,220</b>
Minority shareholders	1,463	4,777
	<u><b>256,056</b></u>	<u><b>180,997</b></u>
<b>DIVIDENDS</b>	<u><b>81,894</b></u>	<u><b>56,126</b></u>
<b>EARNINGS PER SHARE</b>		
- Basic	<u>HK15.72 cents</u>	<u>HK11.33 cents</u>
- Diluted	<u>N/A</u>	<u>HK11.07 cents</u>