



Prime Success Announces 2005 Interim Results

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Turnover Rises 38% to HK\$1,154,576,000 Profit Surges 61% to HK\$106,334,000

(22 September 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 interim results for the period ended 30 June 2005.

In first half 2005, the Group recorded satisfactory interim performance with turnover reaching HK\$1,154,576,000 (2004: HK\$839,572,000), representing a 38% increase as compared with the same period last year. Profit attributable to shareholders amounted to HK\$106,334,000 (2004: HK\$66,030,000), representing a 61% increase. Gross profit margin for the reporting period increased from 36% in the same period last year to 43% this year, while net profit margin surged from 8% to 9%. The Group expanded its domestic sales business in China market during the reporting period and achieved improved efficiency. That plus effective cost control boosted the Group’s overall profitability.

During the period under review, basic earnings per share of the Group were approximately HK6.74 cents, representing a 58% increase over the corresponding period last year. The Board resolved the payment of HK2.5 cents per share as an interim dividend for the six months ended 30 June 2005.

Mr. Chen Ying-Chieh, Chairman of Prime Success, explained, “The booming economy and improved living standard in the PRC, and the increasing spending power of the Chinese population on trendy products translate into great potential demand for mid-to-high-end casual footwear products. To capture the huge potential in the favorable business environment, the Group continued to expand its own brand business during the period and achieved satisfactory results. Driven mainly by our own brand business, we recorded encouraging results with satisfactory turnover and profitability.”

The Group continued to maintain a healthy financial position. As at 30 June 2005, the Group boasted strong cash level with cash and cash equivalents of approximately HK\$181,394,000 and the total bank borrowings of approximately HK\$134,423,000. The unutilized banking facilities was HK\$90,638,000 as at 30 June 2005. The Group's current ratio, being the proportion of total current assets divided by the total current liabilities, slightly improved to 1.66 as at 30 June 2005 compared to 1.60 as at 30 June 2004. The gearing ratio of the Group was maintained at a healthy level of 21.4% as at 30 June 2005.

OEM business, one of the Group's traditional core businesses, managed a steady turnover of HK\$361,718,000 (2004: HK\$373,606,000), representing 31% of the Group's total turnover during the period (2004: 45%). **Mr. Chen Hsien Min, Managing Director of Prime Success**, said, "The contribution of OEM business dropped as a result of the increase in turnover of the Group's own-brand business. In addition to implementing various cost control measures, the Group continued to develop more high profit-margin products during the period. As a result, the operating profit of the Group's OEM business increased by 129% to HK\$45,073,000. The Group sustained steady business growth in Europe, while the U.S. remained as the major export market.

As the leading female footwear brand in the PRC, the sales of "Daphne" products increased by 49% to HK\$695,418,000 (2004: HK\$465,966,000). Related operating profit surged from HK\$60,428,000 to HK\$87,398,000, representing a 45% increase over the same period last year.

To fortify "Daphne" sizeable customer base built over the years, the Group will further develop its sales network by adding to it more points-of-sales of "Daphne" products. It brought the total number of "Daphne" points-of-sales from over 1,500 to over 1,800 at the end of June 2005, including over 872 specialty shops, 312 "Daphne" counters, 131 "Daphne" franchised specialty shops and over 400 points-of-sales that are set up by wholesalers. As a result, the Group enlarged its revenue base.

To further expand the market share and enhance market penetration of "Daphne", the Group focused on product diversification and divided the brand into "Daphne D28" and "Daphne D18" to target two customer segments of different age ranges. The Group currently operates 769 "Daphne D28" specialty shops and 311 counters; and 103 "Daphne D18" specialty shops and 1 counter, paving the way for long-term development.

Mr. Chen Hsien Min continued: “The Group is preparing to invest in a film associated with the “Daphne” brand, which is expected to be released in 2006. The film will help to strengthen consumer recognition of “Daphne” and boost its brand value. Also, the Group will continue to expand the sales network of “Daphne”, targeting to open not less than 250 “Daphne” points-of-sales each year.”

To satisfy the ever-rising demand for footwear products in the PRC and to further expand its mass customer base, the Group launched a new brand “Shoebox” in May last year. In one short year, the Group had opened over 46 “Shoebox” mega stores in cities like Beijing, Shanghai, Wuhan, Yangzhou and Suzhou. Some of the stores are located inside chain hypermarkets like “Carrefour”, “Trust-Mart” and “Hymall” with high customer flows. They have helped to broaden the Group’s income base.

Since there is an ever-rising demand for diverse footwear products at reasonable prices in the PRC but a lack of footwear mega stores in the market, the Group plans to open a total of not less than 70 stores by the end of 2005 and will strive to expand the market coverage of “Shoebox” to those cities, in particular, the second and third tier cities in the PRC, so as to capture laden business opportunities in the market.

The Group stepped up expansion of its “Adidas - Original Collection” business in 2004 to boost revenue. In addition to the existing eight specialty shops, the number of “Adidas - Original Collection” counters was increased from 21 to 51, bringing the total number of points-of-sales to 59. These points-of-sales are located in major cities including Shanghai, Beijing and Guangzhou where consumers are better educated and earn higher incomes and more prone to healthy lifestyle and frequent exercises. The Group’s “Adidas - Original Collection” stands to benefit from the rising demand for athletic and casual footwear and apparel products of prestigious brands in the PRC. The impending 2008 Beijing Olympics is also expected to add to the growth momentum of the business segment. Looking ahead, the Group plans to open not less than 50 “Adidas – Original Collection” points-of-sales every year, bringing the total to not less than 300 in 2008.

With its production plants in Anhui and Fujian and the processing plant in Jiangsu commenced operation, the Group boasts enlarged production capacities for catering to growing demand. The Group’s logistics centers in Shanghai and Fujian also commenced operation during the review period. Two more new logistics centers in Shenyang and Beijing are expected to be completed in the fourth quarter of 2005, and another two in Chengdu and Guangdong will be completed by the end of 2006. Equipped with advanced computer systems, these logistics centers can effectively

handle the warehousing, transportation and freight of products. The Group will thus be able to lower the costs of warehousing and transportation and benefit from enhanced economies of scale.

Mr. Chen Hsien Min said: “In the second half of the year, the Group will continue to maintain strong growth. Our business is steadily growing along side the robust PRC economy. The revaluation of the Renminbi in July 2005 will enhance the purchasing power of customers in general, hence is beneficial to our business. The export orders we have on hand currently worth a total of more than HK\$300,000,000.”

Mr. Chen Ying-Chieh concluded: “As one of the leading integrated footwear groups in the PRC with a well-recognized prestigious female brand in its portfolio, the Group will continue to bring outstanding returns to its investors and business partners. Looking forward, the management is optimistic about the Group’s business reaching new heights in the second half of this year.”

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 and Europe. In 1990, the Group launched its footwear business in the PRC under the brand name “Daphne” which is now the leading ladies’ footwear brand in the PRC with over 1,900 points-of-sales. In September 2002, Prime Success formed a JV that was granted an exclusive retail shop right for the “Adidas - Original Collection” in the PRC. Currently, the Group runs more than 70 Adidas outlets in the PRC. In addition, the Group launched its new brand “Shoebox” last year and there are currently over 46 mega shoe-marts carrying the brand in Beijing, Shanghai, Wuhan, Yangzhou and Suzhou.

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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
2005 INTERIM RESULTS
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited	
	6 months ended 30 June	
		<i>(As restated)</i>
	<u>2005</u>	<u>2004</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
TURNOVER	1,154,576	839,572
Cost of sales	<u>(656,016)</u>	<u>(533,827)</u>
GROSS PROFIT	498,560	305,745
Other revenues	2,898	3,693
Selling and distribution expenses	(291,392)	(166,158)
General and administrative expenses	<u>(76,913)</u>	<u>(61,218)</u>
OPERATING PROFIT	133,153	82,062
Finance costs	(2,023)	(1,537)
Share of profit of an associated company	<u>128</u>	<u>78</u>
PROFIT BEFORE TAX	131,258	80,603
Tax	<u>(24,528)</u>	<u>(12,327)</u>
PROFIT AFTER TAX	<u>106,730</u>	<u>68,276</u>
Attributable to:		
Shareholders of the Company	106,334	66,030
Minority interests	<u>396</u>	<u>2,246</u>
	<u>106,730</u>	<u>68,276</u>
DIVIDEND	<u>40,947</u>	<u>23,368</u>
EARNINGS PER SHARE		
- Basic	HK6.74 cents	HK4.26 cents
- Diluted	<u>N/A</u>	<u>HK4.18 cents</u>