



[For Immediate Release]

Prime Success 2006
Annual Turnover Rises 18% to HK\$3,093,086,000
Profit Increases 15% to HK\$291,566,000

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Brand Business Continues to Prosper

(23 April 2007 – Hong Kong) – An integrated footwear group with huge growth potential in the Greater China, **Prime Success International Group Limited** (“Prime Success” / the “Group”) (stock code: 210), today announced its annual results for the year ended 31 December 2006.

During the year, the Group continued to deliver strong performance and achieved satisfactory results, with turnover rose an impressive 18% to HK\$3,093,086,000 (2005: HK\$2,622,677,000). Profit attributable to shareholders increased by 15% to HK\$291,566,000 (2005: HK\$254,593,000), mainly driven by the robust growth of the Group’s brand business with soaring consumption sentiment and demand for trendy and quality footwear in China.

Earnings per share of the Group was HK17.80 cents, representing a 13% increase over the same period last year. The Board of Directors declared the final dividend of HK2.5 cents (2005: HK2.5 cents) per share for the year ended 31 December 2006. Together with the interim dividend of HK2.0 cents (2005: HK2.5 cents) per share paid, the total dividend for the year was HK4.5 cents (2005: HK5.0 cents) per share.

Mr Chen Ying-Chieh, Chairman of Prime Success, said, “We are very delighted to report the encouraging results for the year. We are growing at a desirable rate, with the point-of-sale networks of our different brand businesses keeping pace to expand gradually. Our brand business has boasted a higher margin and stronger profitability while we extended the product portfolio of “Daphne” which further strengthened the brand in customers’ mind and secured a wider revenue base for the Group.”

OEM business remained as one of the Group’s core operations and key revenue contributor riding on its well-established business foundation and customer base. It accounted for 25% of the Group’s total turnover by contributing segment revenue of HK\$776,776,000 (2005: HK\$795,336,000). Facing vigorous competition and pressure from rising production costs, the Group continued the strategic approach of selecting higher margin orders and strengthening ties with key customers to maximize order volume.

The Group’s brand products continued to be well received during the year by mainland consumers with increasing household income and purchasing power. The Group’s diversified fashionable ladies’ products including footwear, handbags, and accessories were sold under “Daphne” brand in “Daphne D18” and “Daphne D28” chains, as well as “Shoebox” chain stores. Together with ownership of exclusive retail shop right for “adidas Originals”, all accumulate to the Group’s remarkable 27% increase in turnover of brand business to HK\$2,316,310,000 (2005: HK\$1,827,341,000).

The well-received brand “Daphne” continues to play an essential role in leading the Group’s development. Gaining popularity among different target customer groups, the sales of “Daphne” products saw a double-digit growth of 26% to HK\$1,979,874,000 (2005: HK\$1,574,100,000). Leveraging on the success, the Group added 495 new points-of-sale for “Daphne” during the year, bringing the total points-of-sale of the brand to 1,447 stores and 491 counters as of 31 December 2006 (2005: 1,070 stores and 373 counters).

During the year, “Daphne” for the first time established a foothold in Taiwan as a prelude to extend its geographical reach outside Mainland China. **Mr Chen Hsien Min, Managing Director of Prime Success**, commented, “Building on the fame for the brand, we are stepping up efforts to extend its geographical reach, where the Taiwan market provides great potential for our products. In less than a year, the Group established a distribution network with over 30 points-of-sale in Taiwan for the brand. Though much work is still needed to cultivate the Taiwan market, we are optimistic of the long-term prospects of this new business.”

Through consistent dedicated advertising and promotion efforts, the Group has built strong recognition for its brand among customers. During the year, the Group continued to appoint the popular girl pop group “S.H.E” as the spokesperson for “Daphne D18” and Ms Rene Liu as the spokesperson for “Daphne D28” to fortify the strong image of the brand. Other creative ways of promotion included sponsorships of concerts of well-known singers, Mr Jeff Zhang and Mr Emil Zhou, to attract mass attention to the brand in China, Taiwan and Hong Kong.

Being a development focus of the Group, “Shoebox” had its number of stores almost doubled in 2006, to a total of 164 stores. The segment saw a turn from loss to breakeven in the second half of 2006. For the entire year, the segment reported turnover of HK\$142,607,000 (2005: HK\$75,207,000), a growth of 90% and overall a slight operating loss. Yet, this is prominent in demonstrating the Group’s effort to reach mass consumers by selling low-price but high quality footwear and related products under its own brand. During the year, the Group increased its stake in “Shoebox” by 36% to 95% and it expects the brand to start bringing in profits in the near future.

The “adidas Originals” maintained a consistent profitability for the Group, turnover reported at HK\$193,829,000. (2005: HK\$178,034,000). The Group also increased its stake in the brand by 43.75% to 94.75% to enlarge its profit share. As at 31 December 2006, the total number of points-of-sale accumulated to 10 stores and 94 counters. Very confident that the Beijing 2008 Olympic Games will bring abundant business opportunities, the Group is accelerating the network expansion for the brand.

While the Group’s logistics centre in Chengdu is still under construction, its two logistics centres in Beijing and Shenyang were completed in the first half of 2006 and have entered into initial operation. With altogether four logistics centres in operation, the Group managed to improve the flow and control over its inventories. During the year under review, the Group reduced the inventory turnover days markedly from 156 days in 2005 to 147 days in 2006. The achievement was also owed to effective front-line sales and marketing strategy that worked in complement with improved inventory management.

Looking ahead, the Group sees abundant business opportunities in the years to come and is preparing itself to capture these opportunities. It will focus on expanding the point-of-sale networks for its brand business steadily, and will ramp up on marketing promotions, aiming to accelerate its growth under the prospering economy. Meanwhile, the Group plans to set up more processing plants for its OEM and brand products to control costs more effectively and hence safeguard the overall profit margin under challenging industrial environment.

Mr Chen Ying-Chieh concluded, “We see that our brands are gaining vast popularity, therefore we have taken steps to further strengthen our position as a leader in the industry. The year 2006 marked many important milestones for the Group and we are glad that our plans do work to bring the Group to another new height. Anticipating continuous growth in market demand for quality products, we are confident to seize future market opportunities and grow further.”

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, one of the constituent stocks of MSCI Hong Kong Small Cap Index and has been admitted as one of the constituent stocks of the Hang Sang Composite Mainland Index, effective on 11 September 2006. The Group is principally engaged in the manufacturing, marketing and distribution of footwear products under its own and licensed brands and on an OEM basis. Its major markets include China and the US. 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 over 2,000 points-of-sale in China. In 2002, Prime Success obtained the exclusive retail shop right for the “adidas Originals” in China. Currently, the Group runs more than 110 adidas outlets in China. In addition, the Group launched its new brand “Shoebox” in 2004 and there are currently over 200 stores carrying the brand in the country.

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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
2006 ANNUAL RESULTS
CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Audited	
	For the year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
TURNOVER	3,093,086	2,622,677
Cost of sales	(1,697,874)	(1,478,734)
GROSS PROFIT	1,395,212	1,143,943
Other revenues and net gains	30,432	14,400
Selling and distribution expenses	(836,711)	(689,485)
General and administrative expenses	(188,327)	(145,454)
OPERATING PROFIT	400,606	323,404
Finance costs	(9,199)	(4,441)
Share of profit of an associated company	210	253
PROFIT BEFORE TAXATION	391,617	319,216
Taxation	(96,513)	(63,160)
PROFIT FOR THE YEAR	295,104	256,056
Attributable to:		
Shareholders of the Company	291,566	254,593
Minority interests	3,538	1,463
	295,104	256,056
DIVIDENDS	73,705	81,894
EARNINGS PER SHARE – BASIC AND DILUTED	HK17.80 cents	HK15.72 cents