



**Prime Success 2006 Interim Turnover
Rises 25% to HK\$1,441,031,000
Profit Increases 39% to HK\$147,336,000**

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**Success in the Taiwan Market Defines Prominent First Step
Brand Business Will Extend Reach to Tap into Overseas Markets**

(13 September 2006 – 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 interim results for the period ended 30 June 2006.

In first half 2006, the Group’s businesses grew steadily with turnover increased by 25% to HK\$1,441,031,000 (2005: HK\$1,154,576,000). Profit attributable to shareholders rose 39% to HK\$147,336,000 (2005: HK\$106,334,000), mainly driven by the robust growth of its brand business with strong demand for trendy and quality footwear in China. Although production costs were on the up trend, by tightening cost control and selecting higher margin orders, the Group achieved a slight increase in both gross profit margin and net profit margin, reading 46% (2005: 43%) and 10% (2005: 9%) respectively.

Earnings per share of the Group were HK9 cents, representing a 34% increase over the same period last year. The board of directors has resolved to pay an interim dividend of HK2 cents per share for the six months ended 30 June 2006.

Mr. Chen Ying-Chieh, Chairman of Prime Success, said, “We are pleased to report the encouraging results for the 2006 interim period. The Group’s especially strong performance was demonstrated via the brand business not only in China, but also the extended reach to other markets. “Daphne” for the first time successfully tapped into market outside Mainland China market, with the first “Daphne” store opened in Taiwan in April 2006. The encouraging market response prompted the Group to expand its sales and distribution network in Taiwan to reach 30 stores by the end of 2006. The Group is confident that this expansion will further boost its brand business for the longer term.”

OEM business remained as one of the Group’s core operations and contributed a solid revenue of HK\$351,738,000 (2005: HK\$361,718,000), representing 24% of the Group’s total turnover during the period (2005: 31%). **Mr. Chen Hsien Min, Managing Director of Prime Success**, said, “Faced with hiking production costs which posed pressure on the segment’s profit, the Group has strategically and selectively pulled out resources to better target at higher margin orders. On the other hand, OEM revenue dropped slightly by 3% to HK\$351,738,000 yet the Group is still stepping up measures in strict cost controls to maintain the overall margin. The price level of raw materials is expected to stabilize in the second half of the year, which explains the Group’s confidence in securing a steady growth across the various business segments.”

The provision of a comprehensive range of ladies' footwear and fashion products has kept the Group as a leader in the market. The sales of "Daphne" products surged by 32% to HK\$916,930,000 (2005: HK\$695,418,000). Related operating profit surged from HK\$87,398,000 to HK\$139,071,000, representing a 59% increase over the same period last year. The tactic of splitting the well-recognized brand to "Daphne D18" and "Daphne D28" was a proven success to capture the hearts of customers of different age groups in different market segments. Leveraging the success, the Group set up 97 more "Daphne D18" points-of-sale to fully exploit the potential derived by the market. As at 30 June 2006, "Daphne" has over 1,698 points-of-sale across the country, including 1,269 stores and 429 counters (31 December 2005: 1,070 stores and 373 counters).

Riding on the brand recognition of "Daphne", the Group has licensed the brand to manufacturers for launching watches and eyewear products that assists the brand to extend its product portfolio and as a means to tap into overseas markets. The "Daphne" watches have been available in stores since August 2006 while the eyewear products will be introduced to the market in early 2007. This venture's success shall extend the seeds to produce other accessories or fashionable consumer products in the near future that will bring fruitful returns to the Group.

The Group's wide range of innovative and cost effective marketing campaigns played an essential role in the brand's success. **Mr. Chen Hsien Min** continued, "We never cease to think of new ways to promote the brand by adopting creative strategies." The Group continued the production of the film "I Love Daphne" (name of the film is yet to be confirmed) starring Ms. Rene Liu, the Group's spokeswoman for the "Daphne D28" brand in China and Taiwan markets. The Group also commissioned musical compositions for the popular girl group S.H.E, the spokesperson for "Daphne D18" and sponsored various mega events and fashion shows including the concerts of popular singers Mr. Jeff Chang and Mr. Emil Zhou.

The Group's relatively new brand, "Shoebox", that positions to sell its high quality yet low-priced footwear to capture the enormous potentials in the mass footwear market, is making pleasing progress. Being in the cultivation stage that requires investment in different aspects, an operating loss was recorded during the period under review but the Group is very confident in the prospects of "Shoebox". During the first six months of 2006, the Group opened 24 new "Shoebox" stores in major cities across China, bringing the total number of stores to 99. Further to that, the Group has increased its stake in "Shoebox" business by 36% recently, boosting its shareholding to 95%. The strategic move will provide the Group with full control on the development of the business and an increased share of future returns from the already growing business of "Shoebox".

The "adidas Originals" business continued to bring in satisfactory contribution. Its turnover increased 72% to HK\$113,773,000 and segment profit also increased satisfactorily by 100% to HK\$7,944,000 against the corresponding period last year. The World Cup 2006 held during the period under review has put the business in a favourable position as the demand for athletic and casual footwear and apparels in China surged. 5 more adidas outlets were opened, bringing the Group another step closer to meet the target of opening a total of not less than 300 "adidas Originals" stores by 2008. The impending 2008 Beijing Olympics undoubtedly brings in many opportunities. The good news that comes with the opportunity is that adidas has secured the sponsorship contract for the 2008 Beijing Olympics, the Group also introduced to the market various product series of higher quality and eye-catching promotional methods to get ready in grasping benefits brought by the long expected event.

Construction of the logistics centres in Beijing and Shenyang were completed in the first half of 2006. The existing four logistics centres are equipped with cutting-edge storage systems, improving the Group's supply chain services. The Group has adopted an advanced Warehouse Management System ("WMS"), an Enterprise Resources Planning ("ERP") system and a comprehensive network of logistics centres have been set up in various cities in China. Linked with the electronic point-of-sale ("e-POS") system, the Group's systems support different operational aspects. Meanwhile, two new logistics centres located in Chengdu and Guangdong are being planned and are expected to commence operation by the end of 2007. Having centralized control on the entire supply chain and its sales and distribution network, the Group will be able to achieve greater cost effectiveness and operating efficiency in the years to come.

Mr. Chen Ying-Chieh concluded, "The new accomplishment in Taiwan is sowing the seeds for the Group to further extend its reach to other overseas markets via wholesaling. This wholesaling business model is more suitable to the Group currently as involves small initial investment and low business risk. Together with the Group's concrete plans to expand Daphne's product portfolio, and to expand the other brands' sales network, we have full confidence in the future outlook of our business performance."

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 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 2,300 points-of-sale in China. In September 2002, Prime Success formed a JV that was granted an exclusive retail shop right for the "adidas Originals" in China. Currently, the Group runs more than 95 adidas outlets in China. In addition, the Group launched its new brand "Shoebox" in 2004 and there are currently over 110 stores carrying the brand in the country.

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For press enquiries:

Strategic Financial Relations Limited

Esther Chan Tel: (852) 2864 4825

Daphne Chan Tel: (852) 2864 4817

Doris Chan Tel: (852) 2114 4950

Fax: 2804 2789 / 2527 1196

Email: esther@strategic.com.hk

Email: daphne@strategic.com.hk

Email: doris.chan@strategic.com.hk

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

PRIME SUCCESS INTERNATIONAL GROUP LIMITED
2006 INTERIM RESULTS
CONSOLIDATED PROFIT AND LOSS ACCOUNT

Unaudited
6 months ended 30 June

	<u>2006</u> <u>HK\$'000</u>	<u>2005</u> <u>HK\$'000</u>
TURNOVER	1,441,031	1,154,576
Cost of sales	(775,325)	(656,016)
GROSS PROFIT	665,706	498,560
Other revenues	5,346	2,898
Selling and distribution expenses	(397,323)	(291,392)
General and administrative expenses	(101,091)	(76,913)
OPERATING PROFIT	172,638	133,153
Finance costs	(3,417)	(2,023)
Share of profit of an associated company	88	128
PROFIT BEFORE TAXATION	169,309	131,258
Taxation	(21,876)	(24,528)
PROFIT FOR THE PERIOD	147,433	106,730
Attributable to:		
Shareholders	147,336	106,334
Minority interests	97	396
	147,433	106,730
INTERIM DIVIDEND	32,758	40,947
EARNINGS PER SHARE	HK9.00 cents	HK6.74 cents