

Chairman's Statement

RESULTS

I am pleased to report to you that 2003 was a year of substantial progress and achievement for Prime Success International Group Limited (the "Company") and its subsidiaries (together called the "Group"), even though there were some disruptions caused by the SARS outbreak in the first half year in certain Asia countries. Nevertheless, the recovery of the second half came more quickly than initially expected, particularly in China. Profit attributable to shareholders jumped by more than twofold to HK\$83 million.

DIVIDENDS

The board of directors (the "Board") recommends a final dividend of HK1.5 cents per share (2002: HK1.2 cents) for the year ended 31st December 2003. Together with the interim dividend of HK1.0 cent (2002: HK0.8 cent) per share already paid, the total dividends for the year ended 31st December 2003 would amount to HK2.5 cents per share (2002: HK2.0 cents). Subject to shareholders' approval of the final dividend at the Company's forthcoming annual general meeting on 31st May 2004, payment of the dividend will be made on 8th June 2004 to shareholders registered on 25th May 2004. The register of members of the Company will be closed from 25th May 2004 to 31st May 2004, both days inclusive.

EXCELLENCE IN OPERATING PERFORMANCE

Remarkable Achievements in Core Businesses

The Group's two core businesses, namely OEM products and own-brand products, performed well during the year under review. The OEM products reported growth in turnover to HK\$758 million, a 10.5% increase over previous year. Profit contribution to the Group amounted to HK\$47 million, representing a treble year on year. Turnover for own-brand products totalled HK\$649 million, a 31.2% increase, mainly due to the strong consumer demand for ladies shoes in the PRC market.

Huge Potential of "Adidas" Retail Business

The Group is also the exclusive retail shops licensee for "Adidas" "Original Collection" in the PRC. Currently, over 15 specialty shops are operated by an authorised agent in the PRC's major cities. Agency fee income rendered from the appointed agent in 2003 was nearly HK\$0.8 million.

Keeping Track on an Effective Strategy with Right Directions

In accordance with the corporate strategy of products expansion and diversification, the Group speeded up the process of increasing production capacity and offerings of high value-added products with higher profit margin. Although there was pressure for downward price adjustment owing to keen competitions from other manufacturers, our effective cost control and efficient operation policies helped to abate these pressure.

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PROMISING OUTLOOK

Creating Synergies through Well-equipped Production Developments

During the year of 2003, the Group decided to set up four logistic centres which will be located in Shanghai, Beijing, Shenyang and Fujian, being transportation hubs in the PRC, and two production plants located in Fujian and Jiangsu to cope with the increased future orders. We believe our costs in warehousing, transportation and freight will be further reduced effectively and efficiently.

Implementing Enterprise Resources Planning ("ERP") System

The Board has also decided to implement an ERP system and has always advocated its establishment of ERP system since it would further enhance and speed up the financial and management reporting process of the Group.

Heading Towards New Business Opportunities

Capitalising on the well-developed sales and distribution network and the growth opportunities in the footwear industry in the PRC, the Group has to open mega shoe-marts in some major cities.

Continuous Growth through Further Expansion

As we move into 2004, the Group plans to make further penetration and to expand the sales and distribution network in the PRC. Meanwhile, we will broaden our sources of profits with a solid base for higher growth. The Group will continue to develop and grow its core businesses while seeking new opportunities that could create shareholders' value.

APPRECIATION

On behalf of the Board, I would like to express our sincere thanks to all the Group's employees for their hard work, dedication as well as overwhelming support from customers, suppliers and shareholders. The management will strive to steer a path for continuous growth for the Group.

CHANG Wen I

Chairman

Hong Kong, 20th April 2004