



RESULTS

I am pleased to report to you that riding on the improving global economy and flourishing retail market, Prime Success International Group Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") achieved outstanding performance, particularly in its brand business. Profit attributable to shareholders jumped by 112.5% to HK\$176,220,000.

OEM Business Experienced Steady Development

OEM business, one of the Group's core businesses, continued to develop steadily and brought in substantial revenue and profit to the Group during the year. To optimise the profitability of this business segment, the Group focused on securing orders with higher gross profit margin while strengthening its relationships with major and long-established customers.

Actively Expanded Brand Business

With female consumers in China acquiring stronger spending power, the demand for high quality ladies' footwear has been rising. The Group's own ladies' footwear brand, "Daphne", reported a strong surge in turnover and profit during the year. This was mainly attributable to the Group's effort in expanding its sales network and implementing effective marketing strategies. Same store sales thus recorded growth during the year, and the cost effectiveness of this brand business was further enhanced. As for the "Shoebox" mega store business, with its first store opened in May 2004, it is still in the developing stage. However, its diverse product range, reasonable pricing and the comfortable shopping atmosphere appeal to the mass market, thus have enabled the Group to effectively expand its market coverage.

During the year, the Group operated the "Adidas - Original Collection" business on its own. It is well poised to speed up the expansion of this business segment.

Smooth Development of Infrastructure

The Group's new production facilities in Fujian and Jiangsu commenced operations during the year. Two production lines were installed to the Anhui plant. The construction of the logistics centre in Shanghai was completed, while the construction of other logistic centres located in Beijing, Fujian, Shenyang, Guangdong and Chengdu are expected to be completed in 2005 and 2006. When all these facilities are completed, the Group will have an extensive nation-wide sales and distribution network that allows it to serve customers across the country.

Seize Market Opportunities In The Future

Looking forward, the OEM business will continue to grow steadily and the Group will strive to secure new customers and orders with higher profit margin. In addition to striving for growth in its major market, the U.S., the Group will also actively expand other overseas markets such as Europe and Japan.

The Group will continue to enhance the "Daphne" brand. One of its strategies is planning to invest in a film which is related to the brand. The Group also appointed a young pop music band "S.H.E" as "Daphne D18" brand spokespersons. This move will surely strengthen consumer recognition of the brand and the value of "Daphne" brand. As for the "Shoebox", the Group plans to substantially expand its sales network to second and third tier cities, with the aim of enlarging market coverage and increase the market penetration of "Shoebox" across the country.

To meet growing demand and fully capture market opportunities brought by the 2008 Beijing Olympics, the Group plans to add on average 50 "Adidas – Original Collection" specialty stores each year, bringing the total number of stores to not less than 300 by 2008.

This year commemorates the 10th anniversary of the Group's listing in Hong Kong and the 15th anniversary of the launch of the "Daphne" brand. I am pleased to see the achievements we have made and the marking of a new milestone in our business development. Recently the management is actively investigating the opportunity for introducing other high-end brands through cooperation. We will continue to develop our existing businesses while seeking new opportunities that favour the Group's continuous growth, so we may bring fruitful returns to our shareholders.

Chen Ying-Chieh
Chairman

