



Number of Daphne
Points-of-Sale increased by **421**

Turnover of Daphne increased by
60%

Young Girl Yesterday Sexy Woman Today



Number of Adidas-Original Collection
Points-of-sale increased
by **53**





Chairman's Statement

RESULTS

The global economy has been growing steadily in past years, China economy in particular has seen per capita income and the living standard of the Chinese improved significantly; thus the demand for quality consumer goods has also gone up tremendously. I am pleased to report to you that Prime Success International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") achieved outstanding performance in 2005 as a result of the prospering retail market along with the growing consumption sentiment. The Group's profit attributable to shareholders of the Company jumped by 44% to HK\$254,593,000.



ORIGINAL EQUIPMENT MANUFACTURING ("OEM") BUSINESS EXPERIENCED STEADY DEVELOPMENT

As the Group's traditional core business, the OEM business continued to develop steadily and brought in satisfactory revenue and profit. During the year under review, the Group focused on optimising the profitability of this business segment by securing higher gross margin orders. The Group also tightened its cost control measures and at the same time continues to strengthen the relationships with the key customers. All these measures contributed to the outstanding performance of the OEM segment.



Chairman's Statement



POSITIVE GROWTH IN BRAND BUSINESS

The improved standard of living for the Chinese has created a very strong demand for higher quality ladies footwear, which has provided a great opportunity for the Group to thrive. During the year under review, the Group's "Daphne" brand registered an excellent growth in both turnover and profit. The brand's outstanding performance has helped the Group to expand in its sales and distribution network throughout China. Given all the exciting activities that have happened the reputation of "Daphne" has reached a point where the management team has decided to take advantage of the momentum by dividing "Daphne" into two distinctive channels to the market by creating "Daphne 28" and "Daphne 18". "Daphne 28" is targeted for female consumers aged between 26 and 50, whereas "Daphne 18" is targeted for the younger generations. The overwhelming response from the market for the two brands has taken the Group to the next level by capturing a bigger share of the ladies footwear market in China.

The "Shoebox" business is still in the investment stage. The Group introduced the "Shoebox" brand in May 2004 with the intention to get into the mass market. During this period the Group focused on the expansion of the sales network to achieve the economies of scale. We expect the "Shoebox" will start to perform well this year. The "Adidas – Original Collection" segment has also been doing well and consistently provided positive contribution to the Group in the last three years.





Chairman's Statement



STEADY DEVELOPMENT OF INFRASTRUCTURE

The Group constructed the new production and processing plants in Anhui, Fujian, and Jiangsu provinces within the last two years. During the year under review, these plants are in full operating mode providing the production and processing capacities to meet the increased orders for the OEM and domestic brand businesses. The logistics centres located in Shanghai and Fujian provinces also commenced operation, which have significantly improved the Group's supply chain services by providing much faster transportation from point to point. Two additional logistics centres located in Beijing and Shenyang are completed and expected to commence operations in the first half of 2006. These two new centres will also employ the state-of-the-art storage systems to maintain the inventory hence making the production planning even more efficient, as well as to track the status of inventory at almost on the real time basis. The Group's new multi-million-dollar ERP system is now in full operation mode providing a solid infrastructure foundation to support the Group's goal in building the nationwide sales and distribution network.





Chairman's Statement

Number of points-of-sale for various brands

	2005		2004	
	Store	Counter	Store	Counter
Daphne	1,070	373	725	297
<i>D18</i>	223	52	N/A	N/A
<i>D28</i>	847	321	N/A	N/A
Shoebox	75	N/A	21	N/A
Adidas – Original Collection	10	81	8	30

SEIZE FUTURE MARKET OPPORTUNITIES

Looking forward we expect our OEM business to continue its momentum with the US remains as the major export market. The Group will strive to secure high margin orders and new customers so as to increase the profitability of this business segment.

The Group will allocate more resources to promote customer awareness of the “Daphne” brand. We have appointed “S.H.E”, a popular group of entertainers from Taiwan as the spokeswomen for “Daphne 18” and Ms Rene Liu (劉若英), also a famous actress from Taiwan as the spokeswoman for “Daphne 28”. In addition, the Group has invested in a film associated with the “Daphne” brand and is expected to hit the cinema screen by the end of 2006. This film is intended to strengthen the consumers’ recognition of the “Daphne” brand in China, Hong Kong, and Taiwan. The next step is to extend the brand further to the overseas markets, to convert “Daphne” into an international brand.



Chairman's Statement

The Group will continue to expand the sales network of “Shoebox”, particularly to the second and third tier cities in China. By the end of 2006 the Group expected to open at least 70 new stores bringing the total stores to more than 140 stores nationwide.



The Group intends to expand its “Adidas – Original Collection” points-of-sale from the current 91 to 300 points-of-sale by 2008, to take advantage of the up and coming 2008 Beijing Olympics, which the Group believes is biggest and most important event that will benefit the Group in the next two years.

The management will continue to pay close attention to new opportunities that can benefit the Group's continuous growth. We continue to have great confidence in the Group's prospects in China market and we hope to share fruitful returns with our shareholders in the years to come.

Chen Ying-Chieh
Chairman

Hong Kong, 20 April 2006