



INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of 2.90 HK cents (2004: 2.70 HK cents) per share for the six months ended 30 June 2005 to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 23 September 2005. The interim dividend is expected to be paid to shareholders by post on or around Wednesday, 28 September 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 September 2005 to Friday, 23 September 2005, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on Tuesday, 20 September 2005.

REVIEW OF OPERATIONS

In the first half of the fiscal year, markets in which the Group had operations were relatively stable. Even China Government's austerity was in force but the economic development in the Mainland still had an impressive growth. Retail sentiment there was rather resilient. On top of keeping the growth of sales in a double-digit, the Management also managed to have improvement in the operational margin. In Australia, retail market became sluggish in the second quarter; Jeanswest operations there still had a mild increase in turnover. The export operations were affected by the uncertainties arising from the threats of European countries and US to limit textile goods from China. Thanks to the Management adhered to the strategy of focusing on the development of retail business and holding the expansion of manufacturing and export operations for years including the investment in adding production facilities in the Mainland. Therefore excess production capacity was not an issue and the impact from the under-performance of our export operations was mitigated as it accounted for less than 30% of the Group's turnover.



The joint ventures of Quiksilver Glorious Sun and GSiT streamed ahead smoothly according to their respective plans. The brand recognition of Quiksilver and Roxy escalated strongly in the Mainland and Hong Kong. The popularity of those brands under GSiT also enhanced remarkably.

In the period under review, the Group's financial position was sound and solid. As at 30 June 2005, net cash in hand amounted to HK\$1,077,973,000 (2004: HK\$962,629,000). Inventory was kept at healthy level. Inventory turnover days reduced to 49 days representing an improvement of 3 days from 52 days in the same period of previous year.

For the first half of the year, the Group's unaudited consolidated accounts showed the net profit attributable to shareholders amounting to HK\$112,827,000 (2004: HK\$101,685,000) on a turnover of HK\$1,762,520,000 (2004: HK\$1,705,386,000) representing increases of 10.96% and 3.35% respectively when compared with the same period of last year.

1. Retail Operations

The Group's retail operations in the Mainland were focused at the Jeanswest brand. In the first half of the year, the turnover of Jeanswest amounted to HK\$799,821,000 (2004: HK\$697,325,000) showing an increase of 14.70% when compared with the same period of last year.

In the period under review, the weather conditions in the Mainland were a bit abnormal. Replenishment backup had to be reinforced to minimize the adverse impact from lower than usual temperature and frequently heavy raining that dismayed shopping mood. Double-digit increase in sales and improvement in operating margin were achieved in a very competitive environment. It was attributed to our product design became more trendy commencing from the second quarter and the production lead-time had been successfully reduced to improve our versatility to weather through the ever-changing market conditions.



In the period under review, the economy of Australia slowed down due to the fading out of the effect from economic stimulus introduced by the Government in last year. Retail market was affected accordingly. Management endeavored in brand building and promotion. A mild increase of 4.01% in sales was registered when compared with the relatively high record of last year.

As at 30 June 2005, the total number of shops in the Group's network including Quiksilver Glorious Sun and GSit was 1,386 (2004: 1,098). There were 1,071 Jeanswest shops in the Mainland (2004: 860 shops) out of which 576 were directly managed stores (2004: 547 stores). In Australia, Jeanswest network comprised 186 stores (2004: 181 stores) out of which 6 were franchised stores. During the period, the total turnover of Jeanswest amounted to HK\$1,177,709,000 (2004: HK\$1,060,642,000) showing an increase of 11.04% when compared with the same period of previous year. This accounted for 66.82% of the Group's total turnover.

GSit's network in China comprised 118 stores (2004: 52 stores) including 14 stores in Taiwan. Three flagship stores had been opened in Beijing and Shanghai. Each had salable area exceeding 20,000 sq. ft. The turnover of GSit increased more than double when compared with the same period of previous year. Quiksilver Glorious Sun rolled out its expansion seamlessly. At the end of June, the number of Quiksilver shops increased to 11 shops (2004: 5 shops) out of which 4 stores in the Mainland and 7 stores in Hong Kong. Brand recognition of Quiksilver and Roxy escalated especially encouragingly in Hong Kong. Turnover was much higher than the Management's expectation.



2. Export Business

In the period under review, the retail sentiment in North America was quite buoyant. However, pricing pressure was still prevailing. Textile goods exporters in China had to deal with the possibility of export volume control re-imposed by European countries and US. In order to enhance the competitiveness, the Management scaled down part of our oversea production facilities. The number of factories in Indonesia was reduced from 4 to 1 while the production plants in the Philippines were consolidated from 2 to 1.

For the first half of the year end as at 30 June 2005, the total export turnover was HK\$525,185,000 (2004: HK\$562,775,000) representing a drop of 6.68% when compared with the same period of last year. Its share in the Group's total turnover was reduced to 29.80%.

3. Financial Position

The Group's financial position kept improving during the period under review. Net cash in hand and inventory were both maintained at healthy level.

In the period, the Group entered into foreign currency forward contracts to mainly hedge its currency risks in Australian dollars. The Group's contingent liabilities mainly comprised export bills discounted with recourse. As at 30 June 2005, the said contingent liabilities were HK\$45,099,000 (2004: HK\$19,947,000).

4. Human Resources

As at 30 June 2005, the Group's total number of employees was about 31,000. The Group offers a competitive remuneration package to its employees. In addition, incentives are given to employees based on the Group's performance and individual performance.