



PROSPECTS

Looking forward to the remaining half year, the up-trend of US dollars interest rate is expected to reach its top. Although crude oil price does not ease from the present high level, it may not materially slow down the global economy. RMB appreciation has commenced but we expect the process to be very gradual and measured to such an extent that economic development will not be impaired. It is the market consensus that in the year of 2005, China GDP growth will be around 8 to 9%. We are optimistic about the retail market there. The Management as usual will focus on developing retail operations especially in the Mainland. Jeanswest will be more aggressive in enlarging its market share and more actively in sponsoring those youth activities and competitions such as the national casual wear design competition – Jeanswest Cup, the Jeanswest National Sports Master Competition and the 1st Jeanswest All-China Hope School Singing & Reading Competition to enhance the brand image. In Australia, the Management believes our operations there will perform better in the second half of the year as the local economy is expected to be stable and slightly upbeat. The brand recognition of Quiksilver Glorious Sun after a series of promotions has been uplifted especially after the event of “Quiksilver – Great Wall of China Jump” held in July. The Quiksilver sponsored Danny Way’s Great Wall Jump was not only an eye-catching international event with massive local and worldwide coverage, but also a popular and exciting topic among the youth in China. By the end of the year, most of the products of the Quiksilver Glorious Sun are expected to be manufactured in the China Mainland. Not only profit margin can be improved, break-even may become sooner. GSit progresses smoothly. More stores will be opened in the second tier cities by Jeanswest in the capacity as the licensee of GSit venture. According to the present trend, GSit can be expected to reach the break-even point at the end of the year.

The trade dispute between China and US especially in the textile volume are expected to be settled in the second half of the year. If such the case, a lot of uncertainties will be removed to enable the Management in a position to refine its strategy in manufacturing and export business.