

During the Period, the Group had written foreign exchange future contracts, principally for the purpose of hedging the currency risks associated with the Australian dollars.

4. Human Resources

As at 30 June 2006, the Group employed a total of above 30,000 staff. The Group offers competitive remuneration packages to its employees. In addition, incentives are granted to employees with reference to the Group's overall performance and performance of each individual.

PROSPECTS

The Management is optimistic towards the business performance of the Group in the second half of 2006. While China's austerity programme is anticipated to prevail and more stringent measures are expected in the overheated markets, the Management believes that the Chinese government will be adamant on its marco-economic policies aiming at stimulating domestic consumption and relaxing its high degree of reliance on the foreign trade-led economic growth. As a result, adverse impact on China's retail business is expected to be minimal. Turnover of Jeanswest China is now on a rising trend and the Chinese authorities have recently endorsed the brand name of Jeanswest as a "Well-known Trademark" in China. Meanwhile, Jeanswest was selected as "The Leading Brand Name in the China's Garment Industry 2006" in the category of casual apparel by a group of industry experts from the China Federation of Industrial Economics, Trade Development Bureau of the Ministry of Commerce, PRC, Shanghai Garment Trade Association, etc., based on a survey covering 287 domestic and overseas brand names conducted by Social Survey Institute of China. Against this backdrop, the Management optimistically forecasts a continual upward trend for the Group's retail sales in the Mainland market. Sales recorded by Jeanswest in Australasia had already showed improvement in July and August, leading the Management to project better performance in the second half of 2006. Furthermore, the Group is proactively expanding its overseas operations. The first Jeanswest shop in Middle East under a franchise arrangement is expected to become operational in October this year. Sales growth achieved by Quiksilver Glorious Sun so far has been satisfactory. The Management will make further effort to promote this brand name in the Mainland and will speed up the expansion by opening more new Quiksilver shops in Hong Kong. Steady growth is also anticipated in the Group's export business. Barring unforeseen circumstances, the Management expects the growth rate recorded in the first half to retain in the second half of this financial year.