



VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
(stock code: 1173)

INTERIM RESULTS

UNAUDITED INTERIM RESULTS

The board of directors of Veeko International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2004. The results, together with the comparative figures for the corresponding period in 2003, are summarised below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2004

		Six months ended 30th September,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	217,898	175,380
Cost of sales		(62,990)	(44,034)
Gross profit		154,908	131,346
Selling and distribution costs		(97,014)	(91,709)
Administrative expenses		(31,094)	(28,613)
Other operating income		7,111	2,721
Profit from operations	3	33,911	13,745
Finance costs		(18)	(20)
Profit before taxation		33,893	13,725
Taxation	4	(3,493)	(1,388)
Profit attributable to shareholders		30,400	12,337
Interim dividend		13,248	4,968
Earnings per share	5		
Basic		HK1.84 cents	HK0.75 cent
Diluted		HK1.83 cents	N/A

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and principal accounting policies

The unaudited consolidated condensed interim accounts (the “Interim Accounts”) for the six months ended 30th September, 2004 are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

2. Business and geographical segments

In accordance with the Group’s internal financial reporting, the Group has determined that geographical segments by market are its primary reporting format.

Geographical segments

The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, Macau, Taiwan and Singapore. Segment information about these geographical markets is presented below:

	Unaudited six months ended 30th September, 2004					
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
Sales of goods	128,317	61,235	14,354	13,992	-	217,898
Inter-segment sales	4,836	-	-	-	(4,836)	-
	<u>133,153</u>	<u>61,235</u>	<u>14,354</u>	<u>13,992</u>	<u>(4,836)</u>	<u>217,898</u>
Inter-segment sales are charged at prevailing market rates.						
SEGMENT RESULT	<u>26,903</u>	<u>5,473</u>	<u>(745)</u>	<u>2,605</u>		<u>34,236</u>
Unallocated corporate income						1,640
Unallocated corporate expenses						(1,965)
Profit from operations						<u>33,911</u>
Finance costs						(18)
Profit before taxation						<u>33,893</u>
Taxation						(3,493)
Profit attributable to shareholders						<u>30,400</u>

	Unaudited six months ended 30th September, 2003					
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
Sales of goods	103,260	48,456	14,613	9,051	-	175,380
Inter-segment sales	4,582	-	-	-	(4,582)	-
	<u>107,842</u>	<u>48,456</u>	<u>14,613</u>	<u>9,051</u>	<u>(4,582)</u>	<u>175,380</u>
Inter-segment sales are charged at prevailing market rates.						
SEGMENT RESULT	<u>11,912</u>	<u>3,753</u>	<u>(2,503)</u>	<u>1,024</u>		<u>14,186</u>
Unallocated corporate income						2,140
Unallocated corporate expenses						(2,581)
Profit from operations						<u>13,745</u>
Finance costs						(20)
Profit before taxation						<u>13,725</u>
Taxation						(1,388)
Profit attributable to shareholders						<u>12,337</u>

3. Profit from operations

	Six months ended 30th September,	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	<u>7,084</u>	<u>8,780</u>
and after crediting:		
Interest income	<u>144</u>	<u>142</u>

4. Taxation

	Six months ended 30th September, 2004 (Unaudited) HK\$'000		2003 (Unaudited) HK\$'000
The charge comprises:			
Current taxation			
Hong Kong Profits Tax	2,186		577
Overseas Taxation	1,183		885
Deferred taxation relating to the origination and reversal of temporary difference	124		76
Deferred taxation resulting from an increase in tax rate	-		(150)
	<u>3,493</u>		<u>1,388</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$30,400,000 (2003: HK\$12,337,000) and 1,656,000,000 shares (2003: 1,656,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$30,400,000 and the weighted average number of 1,658,503,852 shares issued and issuable, assuming that all of the outstanding share options had been exercised on the date of issue. No diluted earnings per share was presented for the same period last year as there was no potential dilutive shares in issue during that period.

INTERIM DIVIDEND

At the Board Meeting held on 21st December, 2004, the board of directors has resolved to declare the payment of an interim dividend of HK0.80 cent (2004: HK0.30 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2005. The interim dividend will be payable on 25th January, 2005 to shareholders whose names appeared on the register of members of the Company at the close of business on 21st January, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Wednesday, 19th January, 2005 to Friday, 21st January, 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 18th January, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September, 2004, the Group recorded a turnover of HK\$217,898,000 (2003: HK\$175,380,000), representing an increase of 24.2% as compared with the corresponding period of the previous year. The profit attributable to shareholders during the period was HK\$30,400,000 (2003: HK\$12,337,000), representing an increase of 146.4% as compared with the corresponding period of the previous year.

Hong Kong and Macau Market

The retail business in Hong Kong and Macau remained the major source of income of the Group, accounting for 58.9% of its overall turnover, which was comparable with that of the corresponding period of the previous year. As at 30th September, 2004, the Group had altogether 60 outlets in Hong Kong and Macau. During the period under review, the improving local economy, coupled with the relaxation of policy governing cross-border visits to Hong Kong and Macau, boosted the continued growth in retail business in the regions. In addition, the relatively low base figures due to the outbreak of the Severe Acute Respiratory Syndrome in the first quarter of the previous financial year resulted in a 24.3% increase in turnover, amounting to HK\$128,317,000, as compared with that of the previous year. During the period under review, the Group closed down 3 outlets with unsatisfactory performance, while opened 4 new outlets at premium locations available at reasonable rentals. Such moves enhanced the profitability of the outlets and achieved a segment results in Hong Kong and Macau of HK\$26,903,000, as compared with that of HK\$11,912,000 in the corresponding period of the previous year.

Taiwan Market

In the first half of the financial year, the retail business in Taiwan recorded a turnover of HK\$61,235,000, representing a 26.4% increase over the previous year. As at 30th September, 2004, the number of outlets in Taiwan was increased from 52 in last year to 56, and a **Wanko** flagship store was opened on Chung Hsiao East Road, one of the most flourishing district in Taipei, in August 2004. The outstanding image of the flagship store further strengthened the leading position of the **Wanko** brand name in Taiwan's ladies fashion market. During the period under review, Taiwan market accounted for 28.1% of the Group's total turnover. The Group will continue expanding its business in Taiwan in the future and as at 30th November, 2004, the Group had 60 outlets in Taiwan.

Singapore Market

In the first half of the financial year, the retail business in Singapore recorded a turnover of HK\$14,354,000. Notwithstanding a slight decrease of 1.8% as compared with that of the previous year, the turnover of comparable outlets showed a 20.8% increase, which was mainly attributable to the decrease in the number of outlets in Singapore from 13 last year to 9 as a result of the strategic closing of 4 outlets with unsatisfactory performance. Together with the strengthened local management team, the segment results in Singapore was narrowed down from a loss of HK\$2,503,000 for the six months of the previous year to a loss of HK\$745,000 for the six months ended 30th September, 2004.

Prospects

Apparel Business

As at 30th September, 2004, there were a total of 168 outlets under the Group's brand name, of which 60 in Hong Kong and Macau, 56 in Taiwan, 9 in Singapore and 43 in China. In the coming 6 months, the Group will maintain the number of its outlets in Hong Kong and Macau at the existing level. However, certain outlets with minimal profitability will be strategically closed down when their leases expire, while continue to open new outlets at premium locations available at reasonable rentals, in order to enhance its profitability. As the overall performance in Taiwan remains favorable, it will become the Group's key market for future development. The Group will continue to identify positions with potentials for steady development of its business in Taiwan and it is expected that the number of outlets in Taiwan will reach 63 by the end of March 2005. Meanwhile, the Group will keep abreast of the market trend in Singapore, from time to time review its Singapore business, making adjustments where necessary, and prudentially develop its local business. In the China market, the outlet network under **Wanko** and **Veeko** brand names now covers not only those first-tier cities, such as Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen and Zhuhai, but also other cities, such as Chongqing, Wuhan, Nanjing, Kunming, Nanchang, Nanning, Zhengzhou and Xi'an. In the future, the Group will continue its development in the China market by way of franchise. The Group has been implementing internal strengthening measures including continuous enhancement of product quality, commitment in staff training to improve the overall service quality of staff and effective cost control. With such measures, coupled with the expected increase in visitors to Hong Kong and the recovery of Hong Kong's economy, the Group is confident about its future development in retail business. Figures between October and November 2004 showed an impressive performance that the overall retail turnover in Hong Kong and Macau, Taiwan and Singapore increased approximately 12.6% and the turnover of comparable outlets also increased 7.4%, as compared with that of the corresponding period of the previous year.

Cosmetics Business

The Group has long been seeking other expansion and development opportunities in retail business with high value-adding prospects. After due and careful planning over a long period of time, the Group has launched its chain cosmetics retail business in October 2004. The **Colourmix** cosmetics chain-stores have been established and the primary business of which is the sale of cosmetics products of multiple brands, including (i) skincare products (ii) perfume and cosmetics (iii) personal care products. The colorful and trendy outlet design provides the customers with a comfortable environment for shopping and thus a unique cosmetics chain-store image is established. There are 5 outlets by now, of which 3 in Hong Kong and 2 in Macau. Since the initial responses have reached our expected targets, the development will be speeded up in the future and it is expected that the number of outlets will reach 10 by the end of March 2005. **Colourmix** has currently obtained 6 exclusive cosmetics products which are mainly brands from France, Switzerland and Australia, including Chen Yu make up series, Monteil, Ericson Laboratoire, Helenere, Kismayly and Geo. After years of development, the popular brand names of **Wanko** and **Veeko** have established themselves as key players in the ladies fashion market. The future development in cosmetics retail business will enable the Group to become even more value-added and we are confident that this business will bring about a room for development with considerable potentials.

Liquidity and Borrowings

The Group's working capital increased from HK\$167,748,000 as at 31st March, 2004 to HK\$195,412,000 for the period end while its current ratio and quick ratio were maintained at a healthy level of 6.3 and 4.1 times respectively.

As at 30th September, 2004, the Group's cash and bank balances amounted to HK\$97,262,000 (31st March, 2004: HK\$100,278,000) and there was no outstanding bank borrowings and overdraft (31st March, 2004: Nil) whereas the total borrowings was HK\$373,000 (31st March, 2004: HK\$466,000).

As at 30th September, 2004, the gearing ratio of the Group is 0.001 (31st March, 2004: 0.002) which is calculated based on the Group's total borrowings of HK\$373,000 (31st March, 2004: HK\$466,000) and the shareholders' fund of HK\$262,051,000 (31st March, 2004: HK\$232,359,000).

As at 30th September, 2004, the Group had banking facilities amounting to HK\$60,565,000 (31st March, 2004: HK\$60,567,000), of which HK\$2,881,000 representing bank guarantees (31st March, 2004: HK\$3,365,000) was utilised by the Group. The management believes that existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing on favorable terms.

Contingent Liabilities

At 30th September, 2004, the Company had provided guarantees of HK\$84,390,000 (31st March, 2004: HK\$84,390,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company. The amount utilised by the subsidiaries was HK\$2,517,000 (31st March, 2004: HK\$2,998,000) as at 30th September, 2004.

At 30th September, 2004, the Group had provided guarantees of HK\$84,755,000 (31st March, 2004: HK\$84,771,000) to certain banks in respect of standby banking facilities, of which bank guarantees of HK\$2,881,000 were utilised under these facilities (31st March, 2004: HK\$3,365,000).

Pledge of Assets

As at 30th September, 2004, the assets pledged by the Group to certain banks to secure general banking facilities granted to the Group amounted to HK\$42,041,000 (31st March, 2004: HK\$42,297,000).

Staff and Remuneration Policies

As at 30th September, 2004, the Group had 3,343 employees. The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performances. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and fostering a sense of loyalty to the Group.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30th September, 2004.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2004, there was no purchase, redemption or sale by the Company or any of its subsidiaries of the Company's listed securities.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2004 have been reviewed by the Audit Committee. The Audit Committee constitutes 3 independent non-executive directors.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules in effect prior to 31 March, 2004 which remain applicable to results announcements for the accounting periods commencing before 1 July, 2004 under the transitional arrangement will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

As at the date of this announcement, the directors of the Company are as follows:

Executive directors

Cheng Chung Man, Johnny
Lam Yuk Sum

Independent non-executive directors

Cheng Chung Hoo
Yang Wei Tak
Yeung Wing Kay

By Order of the Board
Cheng Chung Man, Johnny
Chairman

Hong Kong, 21st December, 2004

Please also refer to the published version of this announcement in The Standard.