Veeko®

# 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)

# ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31ST MARCH, 2008

## AUDITED RESULTS

The board of directors (the "Directors") of Veeko International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2008 together with the comparative figures for the previous corresponding year, as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31st March, 2008*

| | *Notes* | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|---|
| Turnover | 3 | **754,224** | 642,287 |
| Cost of goods sold | | **(262,835)** | (237,219) |
| Gross profit | | **491,389** | 405,068 |
| Selling and distribution costs | | **(297,531)** | (278,779) |
| Administrative expenses | | **(124,405)** | (98,135) |
| Other income | | **12,232** | 7,649 |
| Increase in fair values of investment properties | | **7,740** | 5,710 |
| Finance costs | | **(3,280)** | (651) |
| Profit before taxation | | **86,145** | 40,862 |
| Taxation | 4 | **(8,219)** | (3,901) |
| Profit for the year | 5 | **77,926** | 36,961 |
| Dividends paid | 6 | **33,627** | 29,929 |
| Earnings per share | 7 | | |
| Basic | | **HK4.586 cents** | HK2.223 cents |
| Diluted | | **HK4.567 cents** | HK2.218 cents |

## CONSOLIDATED BALANCE SHEET

*At 31st March, 2008*

| | Notes | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|---|
| Non-current Assets | | | |
| Investment properties | | **60,000** | 52,260 |
| Property, plant and equipment | | **92,164** | 69,785 |
| Deposits paid for acquisition of property, plant and equipment | | **486** | – |
| Prepaid lease payments | | **9,393** | 9,154 |
| Rental deposits | | **25,186** | 25,100 |
| Deferred tax assets | | **7,580** | 5,046 |
| | | **194,809** | 161,345 |
| Current Assets | | | |
| Inventories | | **194,566** | 132,636 |
| Trade and other receivables | 8 | **49,249** | 30,295 |
| Prepaid lease payments | | **254** | 242 |
| Rental and utility deposits | | **23,726** | 17,815 |
| Tax recoverable | | **1,433** | 1,573 |
| Pledged bank deposit | | **1,000** | 1,000 |
| Bank balances and cash | | **25,855** | 25,429 |
| | | **296,083** | 208,990 |
| Current Liabilities | | | |
| Trade and other payables | 9 | **43,113** | 39,567 |
| Secured bank borrowings – due within one year | | **44,900** | 20,693 |
| Secured bank overdrafts | | **1,033** | 406 |
| Tax payable | | **8,355** | 5,700 |
| | | **97,401** | 66,366 |
| Net Current Assets | | **198,682** | 142,624 |
| | | **393,491** | 303,969 |

| | Notes | **2008** | 2007 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Capital and Reserves | | | |
| Share capital | | **17,677** | 16,627 |
| Reserves | | **354,728** | 282,149 |
| | | **372,405** | 298,776 |
| Non-current Liabilities | | | |
| Secured bank borrowings | | | |
| – due after one year | | **13,515** | – |
| Deferred tax liabilities | | **7,571** | 5,193 |
| | | **21,086** | 5,193 |
| | | **393,491** | 303,969 |

*Notes:*

1. **Basis of Preparation**

The audited consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements also comply with applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2. **Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st April, 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |
| HK(IFRIC) – Int 11 | HKFRS 2: Group and Treasury Share Transaction |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[1] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[2] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) – Int 12 | Service Concession Arrangements[3] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes[4] |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3] |

[1] Effective for annual periods beginning on or after 1st January, 2009.
[2] Effective for annual periods beginning on or after 1st July, 2009.
[3] Effective for annual periods beginning on or after 1st January, 2008.
[4] Effective for annual periods beginning on or after 1st July, 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. Turnover and Segments Information

**Turnover**

Turnover represents the fair value of amounts received and receivable for goods sold, less returns and allowances, by the Group to outside customers during the year.

**Business segments**

The Group operates and manages the business segments as strategic organisational units for internal financial reporting purposes and determined that business segments by products are its primary reporting segments. As a result, the Group's operations was organised into two reporting segments comprising manufacture and sales of ladies fashion and sales of cosmetics. Segment information about these businesses is presented below:

**2008**
**INCOME STATEMENT**

| | Fashion | Cosmetics | Eliminations | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| TURNOVER | | | | |
| Sales of goods | **601,516** | **152,708** | **–** | **754,224** |
| Inter-segment sales | **13** | **4** | **(17)** | **–** |
| | **601,529** | **152,712** | **(17)** | **754,224** |

Inter-segment sales are charged at prevailing market rates.

| | | | | |
|---|---|---|---|---|
| SEGMENT RESULT | **79,352** | **3,441** | | **82,793** |
| Increase in fair values of investment properties | | | | **7,740** |
| Unallocated corporate income | | | | **4,010** |
| Unallocated corporate expenses | | | | **(5,118)** |
| Finance costs | | | | **(3,280)** |
| Profit before taxation | | | | **86,145** |
| Taxation | | | | **(8,219)** |
| Profit for the year | | | | **77,926** |

2007

INCOME STATEMENT

| | Fashion *HK$'000* | Cosmetics *HK$'000* | Eliminations *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| TURNOVER | | | | |
| Sales of goods | 514,513 | 127,774 | – | 642,287 |
| Inter-segment sales | 92 | 132 | (224) | – |
| | 514,605 | 127,906 | (224) | 642,287 |

Inter-segment sales are charged at prevailing market rates.

| | | | | |
|---|---|---|---|---|
| SEGMENT RESULT | 44,071 | (8,647) | | 35,424 |
| Increase in fair values of investment properties | | | | 5,710 |
| Unallocated corporate income | | | | 5,380 |
| Unallocated corporate expenses | | | | (5,001) |
| Finance costs | | | | (651) |
| Profit before taxation | | | | 40,862 |
| Taxation | | | | (3,901) |
| Profit for the year | | | | 36,961 |

**Geographical segments**

The Group's operations are principally located in Hong Kong, Macau, Taiwan, Singapore and other regions of the People's Republic of China ("PRC"). The following is an analysis of the Group's sales by geographical market location:

| | Turnover | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong and Macau | **516,072** | 457,929 |
| Taiwan | **112,113** | 119,582 |
| Singapore | **46,267** | 36,664 |
| Other regions of the PRC | **79,772** | 28,112 |
| | **754,224** | 642,287 |

## 4. Taxation

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| Current year | **4,660** | 3,549 |
| Overprovision in prior years | **(462)** | (548) |
| | **4,198** | 3,001 |
| Overseas taxation | **4,960** | 3,668 |
| | **9,158** | 6,669 |
| Deferred tax: | | |
| Current year | **(939)** | (2,768) |
| | **8,219** | 3,901 |

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 26th June,2008, the Hong Kong Profit Tax rate was enacted to decrease from 17.5% to 16.5% with effect from the year of assessment of 2008/2009. As at 31st March, 2008, as the proposed reduction of profit tax rate has not yet been substantively enacted, there was no financial impact for the current year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 5. Profit for the Year

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year has been arrived at after charging: | | |
| Employee benefits expenses | | |
| (including directors' emoluments): | | |
| Salaries and other benefits | **187,095** | 149,086 |
| Retirement benefits scheme contributions | **6,775** | 5,005 |
| | **193,870** | 154,091 |
| Amortisation of prepaid lease payments | **246** | 89 |
| Auditors' remuneration | **1,882** | 1,483 |
| Cost of inventories recognised as expenses | **262,835** | 237,219 |
| Depreciation of property, plant and equipment | **24,688** | 17,392 |
| Loss on disposal of property, plant and equipment | **1,200** | 950 |
| and after crediting: | | |
| Rental income, with negligible outgoings | **3,392** | 3,244 |
| Net exchange gain | **6,297** | 3,242 |
| Interest income | **174** | 348 |

## 6. Dividends Paid

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends recognised as distribution during the year: | | |
| 2008 interim dividend of HK0.8 cent (2007: HK0.7 cent) per share | **15,882** | 11,639 |
| 2007 final dividend of HK1.0 cent (2007: 2006 final dividend of HK1.1 cents) per share | **17,745** | 18,290 |
| | **33,627** | 29,929 |

During the year, scrip dividends were offered in respect of the 2007 final and 2008 interim dividends. These scrip dividends were accepted by the majority of shareholders, as follows:

| | **2008 Interim** *HK$'000* | 2007 Final *HK$'000* | 2007 Interim *HK$'000* | 2006 Final *HK$'000* |
|---|---|---|---|---|
| Dividends: | | | | |
| Cash | **4,314** | 4,970 | 11,639 | 18,290 |
| Scrip alternative | **11,568** | 12,775 | – | – |
| | **15,882** | 17,745 | 11,639 | 18,290 |

The 2008 final dividend of HK0.9 cent per share in cash with a scrip option has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 7. Earnings Per Share

| | **2008** | 2007 |
|---|---|---|
| Earnings: | | |
| Profit for the year and earnings for the purposes of basic and diluted earnings per share | **HK$77,926,000** | HK$36,961,000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **1,699,123,467** | 1,662,435,616 |
| Effect of dilutive potential ordinary shares in respect of share options | **7,289,320** | 3,636,453 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **1,706,412,787** | 1,666,072,069 |

## 8. Trade and Other Receivables

| | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Trade receivables | **40,149** | 25,196 |
| Other receivables | **9,100** | 5,099 |
| Total trade and other receivables | **49,249** | 30,295 |

The Group allows 30 to 60 days credit period for receivables from sales counters and an average credit period of 60 to 120 days to its wholesale customers. The following is an aged analysis of trade receivables at the reporting date:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **27,308** | 17,521 |
| 31-60 days | **9,845** | 4,207 |
| 61-90 days | **1,287** | 571 |
| Over 90 days | **1,709** | 2,897 |
| | **40,149** | 25,196 |

Before accepting any new wholesale customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and define credit limits by customer. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. At the balance sheet date, 92% (2007:86%) of the trade receivables that are neither past due nor impaired without default payment history.

## 9. Trade and Other Payables

At 31st March, 2008, included in the Group's trade and other payables were trade payables of HK$9,006,000 (2007: HK$7,814,000). Details of the aged analysis of trade payables are as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **7,322** | 7,466 |
| 31 – 60 days | **572** | 271 |
| 61 – 90 days | **1,034** | 64 |
| Over 90 days | **78** | 13 |
| | **9,006** | 7,814 |

## DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.9 cent per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31st March, 2008 to shareholders whose names appear on the register of members of the Company on 5th September, 2008 and also to recommend the offer to the shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (the "Scrip Dividend Scheme"), subject to the approval of the shareholders on the payment of final dividend at the annual general meeting of the Company and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31st March, 2008.

On condition that the payment of the above final dividend is approved by the shareholders at the annual general meeting of the Company, a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly after the annual general meeting of the Company.

## BUSINESS REVIEW AND PROSPECTS

### Business Review

As at 31st March, 2008, the Group recorded a turnover of HK$754,224,000 (2007: HK$642,287,000), representing an increase of 17.4% as compared with the corresponding period of last year. Included in the amount of turnover was HK$152,708,000 (2007: HK$127,774,000) generated by the cosmetics business, representing an increase of 19.5% over the same period of last year. Turnover of the fashion business increased by 16.9% as compared with the same period in the previous year. The gross profit ratio of the Group as a whole increased from 63.1% for last year to 65.2% for the current year, while profit for the year was HK$77,926,000 (2007: HK$36,961,000), representing a substantial increase of 110.8% over that of the corresponding period of last year. This was mainly due to the reason that the Group has actively developed the fashion business in China during the period under review. The number of outlets in the China region increased from 75 as at 31st March, 2007 to 124 as at 31st March, 2008. The results were favourable and the business made significant profit contribution to the Group during the year. Furthermore, for the first time, the cosmetics business stopped incurring a loss after several years of its operation, and a profit of HK$3,441,000 was recorded, which compared with a loss of approximately HK$8,647,000 of the same period in last year, the result of the cosmetics business improved markedly, and was one of the reasons for substantial profit growth for the year.

**Fashion Business**

As at 31st March, 2008, turnover of the fashion business amounted to HK$601,516,000, (2007: HK$514,513,000) being an increase of 16.9% over the previous year and accounting for 79.7% of the Group's total turnover. Fashion business remained the major source of turnover and profit for the Group. For segment results, that of the fashion business amounted to HK$79,352,000, representing a surge of 80.1% as compared with HK$44,071,000 for last year, thanks to a steady growth in its businesses in existing Hong Kong and Macau and Singapore markets, and especially profit contribution from the outstanding performance of the newly developed China market.

**Fashion Business – Hong Kong and Macau Market**

As at 31st March, 2008, the Group has altogether 63 outlets in Hong Kong and Macau (2007: 59 outlets). During the period under review, turnover of the Hong Kong and Macau market amounted to HK$364,220,000 (2007: HK$330,785,000), representing an increase of 10.1% over the corresponding period of last year. The same-store sales also increased by 15.3% over the corresponding period of last year. The remarkable increase in turnover over the corresponding period of last year was attributable to the blend of new design concepts of two brands under the Group and shop decoration for enhancement of store image, coupled with diversified product portfolios and the introduction of high-end imported fashion accessories. These innovative measures were greatly welcomed by the customers.

**Fashion Business – Taiwan Market**

Turnover of fashion retailing in Taiwan for the year was HK$111,257,000 (2007: HK$118,952,000), a decrease of 6.5% from the corresponding period of last year, mainly due to a decrease in the number of outlets of the Group in Taiwan during the period under review. As at 31st March, 2008, the Group had 51 outlets in Taiwan (2007: 60 outlets), representing 18.5% in the total turnover of the Group's fashion business. The economic recession in Taiwan in last year undermined consumption power and consumer confidence and resulted in difficult operating conditions in the market. The Group had been positive in undertaking various measures to alleviate the adverse impact of these factors on its business, including strict cost control, improvement in product quality and closing down certain outlets burdened with fixed rental expenses which suffered from low cost efficiency. In addition, during the period under review, the Group had paid compensation to owners in respect of certain retail outlets with fixed rental, in accordance with terms in the lease agreements for the early termination of leases before their expiry. Although these measures inevitably had impact on the results of the current period, they should contribute to the healthy development of the Group's business in Taiwan in the long run. As a matter of fact, such measures improved the results during the second half year, resulting in a positive momentum of the business. During the period under review, despite the number of fashion outlets in Taiwan decreased as compared with that of last year, the comparable turnover recorded a growth of 11.9% accordingly. Therefore, the Group is fully confident in its Taiwan business in the future.

### Fashion Business – Singapore Market

During the year, the retail business in Singapore recorded a turnover of HK$46,267,000 (2007: HK$36,664,000), representing an increase of 26.2% over the corresponding period of last year. Business in Singapore had been growing steadily. As at 31st March, 2008, the Group had 11 outlets (2007: 12 outlets) in Singapore.

### Fashion Business – China Market

Since late 2006, the Group commenced its directly operated fashion retail business in the Mainland China. For the year, retail business in China recorded a turnover of HK$79,772,000 (2007: HK$28,112,000), representing an increase of 183.8% as compared with the corresponding period of last year. In just over one year of development, it had accounted for 13.3% of the Groups' total turnover in fashion business. As at 31st March, 2008, the number of ***Veeko*** and ***Wanko*** outlets in China had reached 124 (2007: 75 outlets), mainly covering first tier cities such as Beijing, Shanghai, Guangzhou, Chengdu, Chongqing, Tianjin, Shenzhen, Wuhan, Zhuhai, Dalian, Suzhou. Besides, other cities were also covered which included Xiamen, Quanzhou, Jiangmen, Zhongshan, Yibin, Shunde, Guiyang, Tangshan, Shenyang, Lanzhou, Changchun, Changsha, Wuxi, Fuzhou, Huainan, Zhanjiang, Haikou, Baotou, Liuzhou, Chenzhou and Linfen. The Group's fashion brands were well received by customers in China no matter on designs, styles and positioning. As at this year end, these brands had made encouraging performance by making significant profit contributions.

### Cosmetics Business

As at 31st March, 2008, the Group had established 19 outlets (2007: 18 outlets), which were mainly situated in Hong Kong and Macau. For the year, cosmetics business of the Group recorded a turnover of HK$152,708,000 (2007: HK$127,774,000), representing an increase of 19.5% over last year. The same-store sales also represented an increase of 7.9% over the corresponding period of last year. After several years of operation, for the first time cosmetics business of the Group recorded a profit of approximately HK$3,441,000, which compared with the loss of HK$8,647,000 for the same period of last year, proved that significant improvement in operating results has been achieved.

## PROSPECTS

### Fashion Business

To its fashion business development, the Group has planned to concentrate on the growth of its existing outlets in Hong Kong and Macau in the coming year. To the number of its outlets, the Group will steadily establish new outlets on its existing foundation. The Group will also continuously purchase high-quality fabrics directly from overseas, further improve product quality and diversify its product portfolios. All these will help the Group to enhance its turnover and profitability. In respect of the Taiwan market, due to the weak economy that undermined consumption power and consumer confidence which resulted in difficult operating conditions in the market, the Group had undertaken strategic measures to close some outlets with high rental and unsatisfactory performance. As at 31st March, 2008, the number of the Group's fashion outlets in Taiwan was 51, a decrease of 9 as compared with 60 outlets of last year. However, the total turnover of the comparable outlets recorded an increase of 11.9% accordingly. In future, the Group plans to set up concession counters in department stores so as to avoid the burden of and reduce the pressure from fixed rental. As at 30th June, 2008, the number of the Group's fashion outlets in Taiwan increased to 54, and the Group will continue to develop the local market in a prudent manner. Business in Singapore has been growing steadily in recent years. The Group is dedicated to strengthening the fashion business there, so that if outlets in desirable locations are secured, the number of outlets will be increased steadily.

The fashion business in China will become the Group's key market for future development in the coming years. The number of outlets increased to 124 as at 31st March, 2008 since the establishment of the first self-operating outlet in December 2006. Due to the rapid economic growth and strong consumption power of the mainland, coupled with the Group's well received fashion brands no matter on designs, styles and positioning, the performance of the business accounted for 13.3% of the Group's total turnover in fashion business in just over one year of development. They have also achieved encouraging performance by making significant profit contributions to the Group as at this year end. The total turnover of the comparable outlets in China from April to June 2008 recorded a remarkable increase of approximately 23.1% as compared with the corresponding period of the previous year. The Group is optimistic towards the growth trend, and plans to develop the China market in fast pace in the coming years, and to establish more outlets in first-tier cities such as Beijing, Shanghai, Guangzhou and Chengdu. The Group is confident that the fashion retail business in China will become another key contributor to the Group's turnover and profit in addition to the retail business in Hong Kong. To satisfy the demand of the Group towards quantity in the future, the Group acquired an industrial building with an area of approximately 31,355 square meters in the mainland China in early 2007. The factory has commenced its production in October 2007. Despite such has a temporary impact on the Group's gearing ratio, the Group is optimistic towards the growth of retail business in China and is highly confident that the China market will bring significant return to the Group in future.

**Cosmetics Business**

In October 2004, the Group officially launched its cosmetics retail chain business by setting up ***Colourmix*** outlets. As at 31st March, 2008, the Group had established 19 outlets, of which 17 outlets were situated in Hong Kong, while 2 outlets were situated in Macau. During the period under review, cosmetics business of the Group recorded a turnover of HK$152,708,000, representing 20.3% in the total turnover of the Group, which was an increase of 19.5% as compared with last year. As at 31st March, 2008, after several years of operation, for the first time cosmetics business of the Group recorded a profit of approximately HK$3,441,000, which compared with the loss of HK$8,647,000 for the same period of last year, proved that significant improvement in operating results had been achieved. This was primarily due to the Group's continuous efforts in enriching the product portfolio and introduction of quality exclusive brands directly imported from abroad, which were well received by the customers and the response was favourable. At present, the cosmetic retail network has developed to 20 outlets. The current scale of outlet network has brought better cost efficiency as compared with last year. Furthermore, the Group closed down 2 outlets with low cost efficiency, and the outlets established in the last year achieved satisfactory performance, which will contribute higher turnover and profit and become the main reason for turning the Group from red to the black in the year. In future, the Group will keep on enriching the product portfolio, increase the number of cosmetics products with exclusive distributorship, train employees to provide quality and professional services while at the same time continuously achieve an expansion in stores with potential. It is expected that the number of outlets will increase to about 25 by 31st March, 2009. As indicated by the current trend, the Group is confident that cosmetics business will bring increasingly more contribution to the Group in the financial year 2008/2009. The cosmetics retail business will become the Group's another focus for future development in addition to the fashion retail business.

## LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK$142,624,000 as at 31st March, 2007 to HK$198,682,000 for the year while its current ratio and quick ratio were maintained at a healthy level of 3.04 and 1.04 times respectively.

As at the balance sheet date, the Group's cash and bank balances amounted to HK$26,855,000 (2007: HK$26,429,000) and the outstanding bank borrowings and overdraft amounted to HK$59,448,000 (2007: HK$21,099,000) whereas the total borrowings was HK$59,448,000 (2007: HK$21,099,000). The increase in total borrowings was mainly attributable to the rapid expansion of retail business in China and the capital expenditure invested in our China production plants during the year. The number of outlets in China was increased from 75 as at 31st March, 2007 to 124 as at 31st March, 2008, which lead to increase in capital expenditure and inventory required during the year. To cope with the expansion plan, the Group acquired an industrial building in the mainland China last year. The renovation cost incurred for this industrial building amounted to HK$10,600,000 during the year. Besides, in order to strengthen the production efficiency, save-up the labour cost and enhance the quality of products, the Group replaced existing machineries with advanced machineries. Together with the newly acquired machineries for the new production plant, the capital expenditure for the addition of new machineries amounted to HK$8,872,000 during the year.

As at the balance sheet date, the gearing ratio of the Group is 0.16 (2007: 0.07) which is calculated based on the Group's total borrowings of HK$59,448,000 (2007: HK$21,099,000) and the total equity of HK$372,405,000 (2007: HK$298,776,000).

As at 31st March, 2008, the Group had banking facilities amounting to HK$108,427,000 (2007: HK$82,627,000), of which HK$65,968,000 (2007: HK$24,021,000) 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.

## PLEDGE OF ASSETS

As at the balance sheet date, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK$75,142,000 (2007: HK$67,098,000).

## FOREIGN EXCHANGE EXPOSURE

Several subsidiaries of the Company have foreign currency purchase and secured bank borrowings, which expose the Group to foreign currency risk. Approximately 72% (2007: 76%) of purchase costs are denominated in the group entity's functional currency. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2008, the Group acquired a property in China for a consideration of RMB22,000,000.

## STAFF & REMUNERATION POLICIES

As at the balance sheet date, the Group had 4,534 employees (2007: 3,567). 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 incentive to enhance their loyalty to the Group.

## CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to the final dividend for the year ended 31st March, 2008, the register of members of the Company will be closed from 2nd September, 2008 to 5th September, 2008 (both days inclusive) during which period no transfer of Shares will be registered. The last day for dealing in Shares cum entitlements to the proposed final dividend for the year ended 31st March, 2008 will be 28th August, 2008. Shareholders are reminded that in order to qualify for the proposed final dividend for the year ended 31st March, 2008, all transfers of Shares accompanied by the relevant share certificate and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 1st September, 2008.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Group has complied with most of the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Listing Rules throughout the year ended 31st March, 2008, except for the following deviations:

There were eight Board meetings held during the year under review with two of which were regular meetings held for approving the final results for the year ended 31st March, 2007 and interim results for the six months ended 30th September, 2007. The others were held as and when the business or operational needs arisen.

As there had been delays on the finalization of the financial statements, board papers were sent to the audit committee members less than 3 days before the meetings for approving interim results and final results.

Despite draft minutes were not circulated to all directors for comment, the final versions are open for directors' inspection.

Detailed information on the Company's corporate governance practice is set out in the Corporate Governance Report of the Company's 2008 Annual Report.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding director's securities transactions on terms no less exacting than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended 31st March, 2008.

## AUDIT COMMITTEE

The audit committee has reviewed the financial results for the year ended 31st March, 2008.

## PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's preliminary results announcement for the year ended 31st March, 2008 containing all information required by Appendix 16 of the Listing Rules is published on the website of the Stock Exchange at http://www.hkexnews.hk under "Latest Listed Company Information" and the Company's website at http://www.irasia.com/listco/hk/veeko.htm. The annual report of the Company for the year ended 31st March, 2008 will be dispatched to the shareholders and published on the above website in due course.

## APPRECIATION

On behalf of the Board, I would like to extend my heartfelt thanks to all the employees for their devotion, contribution and diligence and my deepest gratitude to all the shareholders, customers, suppliers and business partners for their continuous support. I sincerely hope that all of you will continue to contribute to the success of the Group.

On behalf of the Board
**Cheng Chung Man, Johnny**
*Chairman*

Hong Kong, 23rd July, 2008

*As at the date of this announcement, the Board comprises Mr. Cheng Chung Man, Johnny and Ms. Lam Yuk Sum as executive directors, Mr. Cheng Chung Hoo, Mr. Yang Wei Tak and Mr. Yeung Wing Kay as independent non-executive directors.*