



**VEEKO INTERNATIONAL HOLDINGS
LIMITED**

威高國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

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, 2002. The results, together with the comparative figures for the corresponding period in 2001, are summarised below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2002

		Unaudited six months ended 30th September	
	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Turnover	2	195,572	165,355
Cost of sales		(57,098)	(44,074)
Selling and distribution costs		(95,233)	(88,165)
Administrative expenses		(30,414)	(32,383)
Other operating income		2,159	2,732
Profit from operations	3	14,986	3,465
Finance costs		(483)	(1,428)
Profit before taxation		14,503	2,037
Taxation	4	(986)	(183)
Profit attributable to shareholders		13,517	1,854
Interim dividend	5	3,809	-
Earnings per share	6	0.82 cent	0.11 cent

NOTES TO CONDENSED INTERIM ACCOUNTS

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the "Interim Accounts") for the six months ended 30th September, 2002 are prepared in accordance with Statements of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual financial statements for the year ended 31st March, 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective during the period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The significant changes in the Group's accounting policies resulting from the adoption of these revised standards are set out below:

(a) SSAP 11 (Revised): Foreign currency translation

In prior periods, the financial statements of overseas subsidiaries at the period end were translated at the rate of exchange ruling at the balance sheet date. For the period, the Group adopted a new accounting policy of translating profit and loss accounts of overseas subsidiaries at an average rate in order to comply with SSAP 11 (Revised).

(b) SSAP 15 (Revised): Cash flow statements

For the period, net cash flow from taxation has been reclassified as operating cash flow, interest received has been reclassified as investing cash flow and interest paid and dividend paid have been reclassified as financing cash flow.

Certain comparative figures have been reclassified to conform to the current period's presentation.

2. SEGMENT INFORMATION

Business segment

The Group is solely engaged in the manufacture and retail of ladies apparel. All of the Group's turnover, contribution to operating profit and assets were attributable to this business segment.

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 2002				
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Consolidated HK\$'000
TURNOVER					
Sales of goods	121,649	50,842	13,130	9,951	195,572
SEGMENT RESULT	10,012	3,511	(331)	1,639	14,831
Unallocated corporate income					1,560
Unallocated corporate expenses					(1,405)
Profit from operations					14,986
Finance costs					(483)
Profit before taxation					14,503
Taxation					(986)
Profit attributable to shareholders					13,517

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Unaudited six months ended 30th September 2001

	Hong Kong and Macau <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
Sales of goods	<u>107,006</u>	<u>44,129</u>	<u>10,621</u>	<u>3,599</u>	<u>165,355</u>
SEGMENT RESULT	<u>3,764</u>	<u>1,286</u>	<u>(1,795)</u>	<u>605</u>	3,860
Unallocated corporate income					1,743
Unallocated corporate expenses					(2,138)
Profit from operations					3,465
Finance costs					(1,428)
Profit before taxation					2,037
Taxation					(183)
Profit attributable to shareholders					<u>1,854</u>

3. PROFIT FROM OPERATIONS

Unaudited six months ended 30th September	
2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit from operations has been arrived at
after charging :

Depreciation of property, plant and equipment	<u>10,372</u>	<u>9,536</u>
and after crediting:		
Interest income	<u>115</u>	<u>375</u>

4. TAXATION

Unaudited six months ended 30th September	
2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

The charge comprises:

Hong Kong Profits Tax	914	360
Overseas Taxation	72	(177)
	<u>986</u>	<u>183</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group had no significant unprovided deferred taxation for the period and at the balance sheet date.

5. INTERIM DIVIDEND

At the board meeting held on 18th December, 2002, the directors declared an interim dividend of HK0.23 cent per share. The proposed interim dividend is not reflected as a dividend payable in the interim accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st March, 2003.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$13,517,000 (2001: HK\$1,854,000) and on the 1,656,000,000 shares in issue (2001: 1,656,000,000 shares) during the period.

INTERIM DIVIDEND

The board of directors has resolved to declare the payment of an interim dividend of HK0.23 cent (2001: nil) per share of HK\$0.01 each for the financial year ended 31st March, 2003. The interim dividend will be payable on 23rd January, 2003 to shareholders whose names appeared on the register of members on 17th January, 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Monday, 13th January, 2003 to Friday, 17th January, 2003 (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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Friday, 10th January, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of HK\$195,572,000 for the six months ended 30th September, 2002 (2001: HK\$165,355,000), representing a 18% increase over the corresponding period of the previous year. Profit attributable to shareholders for the period amounted to HK\$13,517,000 (2001: HK\$1,854,000), representing an increase of 629% over the corresponding period of the previous year. The profit margin shows a marked improvement and the Group looks forward to achieving even better performance in future.

For the period under review, the Group still recorded an increase in turnover despite the difficult business environment in Hong Kong. This is mainly attributable to the series of strategic reforms successfully implemented by the Group, including the endorsement by renowned artist Miss Lau Ka Ling, Carina to project her elegant and lofty taste image for the products of **Wanko**, one of the Group's brand. Meanwhile, the Group also enlisted the support of one of the top artists, Miss Cheng Sau Man, Sammi to promote its **Veeko** brand so as to identify the brand with her unique charisma and trendiness. Such marketing strategy helps to identify different brand images of **Wanko** and **Veeko** as well as to establish a more distinctive market positioning for both brands. Moreover, product quality was enhanced by using high quality fabrics to match with more trendy design, together with innovative design concepts in its shop decoration, customers were served with products that worth for money. Such strategy is well-received by the market and has helped to attract new customers in addition to the patronage of long-standing loyal customers. Turnover thus increased by 18% as compared with the corresponding period over the previous year. Besides, the Group also put efforts in cost control. Taking out the fact that a slight rise of selling and distribution costs due to the increase in number of outlets, the administrative expenses and finance costs went down 6% and 66% respectively over the corresponding period of the previous year. Besides, the Group also strengthened the control over inventory, bringing the inventory turnover on sales down to 61 days in the period under review, as compared with 80 days over the corresponding period of the previous year. All the above measures contributed to an encouraging result of achieving a significant increase of an after tax profit to HK\$13,517,000 for the six months ended 30th September, 2002 and compared with HK\$1,854,000 over the corresponding period of the previous year.

Hong Kong and Macau Markets

The retail business in Hong Kong and Macau performed satisfactorily amid the sluggish retail market in Hong Kong. The growth of business was not merely the result of implementing the strategic measures mentioned above, but also benefitted from the spending of mainland tourists. The turnover of Hong Kong and Macau markets for the first half-year of the current financial year reached HK\$121,649,000, an increase of 14% from the corresponding period of the previous year. As at 30th September 2002, the Group had a total of 63 outlets (2001: 57 outlets) in Hong Kong and Macau.

In the coming future, the Group will maintain the number of outlets in Hong Kong and Macau markets at the prevailing level and put more resources in staff training to enhance the overall service quality of staff with a view to providing customers with products that worth for money and scale-down its big sales activities for the ultimate goal of improving gross profit margin.

Taiwan Market

Retail sales of the Group in Taiwan reached HK\$50,842,000 for the first half financial year, representing an increase of 15%. As at 30th September, 2002, the Group had 46 outlets in Taiwan, as compared with 36 outlets in the same period last year. Turnover of the Taiwan operation in the period under review accounted for approximately 26% of the Group's total turnover. The Group will further expand its business in Taiwan so as to increase its market share.

Singapore Market

The Group recorded a turnover of HK\$13,130,000 from the Singapore market for the first half of the financial year, representing an increase of 24% as compared with the same period last year. As at 30th September, 2002, the Group had gradually increased the number of outlets to 13 in Singapore, compared with 8 outlets in last year. The existing number of outlets can be more effectively spread the fixed cost in terms of administrative expenses so as to achieve better economies of scale, and the segment result shows the loss incurred by the Singapore operation for the six months ended 30th September, 2002, was reduced substantially to HK\$331,000, as compared with the loss HK\$1,795,000 for the corresponding six-month period in last year. The Group expects that business in the Singapore market can break-even for the whole financial year ended 31st March, 2003. Currently, Singapore is still suffering from a depressed economy, the Group will maintain the existing number of outlets in Singapore and will adopt a prudent approach in future business development in the country.

Other Markets

In addition to the markets in Hong Kong and Macau, Taiwan and Singapore, the Group is also actively expanding its business in other markets with good potential, in particular the PRC market. As at 30th September, 2002, there were 26 franchise outlets in the PRC offering brand products of the Group. These outlets are well located in major cities such as Shenzhen, Guangzhou, Shanghai, Beijing, Wuhan, Chengdu and Chongqing. In future, the Group will be actively involved in the development of its sales network in the PRC market and further increase its brand awareness in the PRC through participation in large scale fashion exhibition and trade fairs.

Prospects

In retrospect, retail sales remained weak in the first half of the 2003 financial year, yet with the implementation of various strategic measures, the Group's results showed a drastic improvement when compared with the corresponding period of the previous year, demonstrating the benefit brought forth by those market strategies adopted. Looking ahead, in the coming six months the Group will continue to carry out strategic business plans for its major markets, including enhancement of product design and use of more high quality fabrics so as to create a trendy image for its brands, with an aim

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to stimulate consumption by providing products that worth for money. On the other hand, the Group will make further effort in establishing a more distinctive market positioning by unremittingly upgrading the Group's product image, yet the resources to be committed in market promotion would only be maintained at a constant proportion of turnover. The Group will also constantly review and adopt prudent measures in cost control so as to ensure that costs will be maintained at a reasonable level. In terms of staff training and development, the Group will spare no effort in upgrading the overall service quality of staff with a view to providing sustained support to the brands by an established team of well-trained professional sales staff through the provision of excellent services to customers. Regarding to business development, on the basis of its existing retail network, the Group also plans to explore the overseas markets by means of export and franchise operation. The Group is currently in preliminary negotiation with overseas buyers. It is expected that such plan will promote the Group's development by achieving higher overseas market coverage of its products which in turn will raise the turnover and profitability of the Group. The Group has full confidence in the business development in the second half of the financial year.

Liquidity and Borrowing

The Group's working capital increased from HK\$83,952,000 as at 31st March, 2002 to HK\$97,515,000 for the period end while its current ratio and quick ratio were maintained at a healthy level of 3.2 and 1.7 times respectively.

For the six months ended 30th September, 2002, the Group's inventory turnover on sales was 61 days while it was 80 days for the corresponding period in 2001.

As at 30th September, 2002, the Group's cash and bank balances amounted to HK\$22,554,000 (31st March, 2002: HK\$33,409,000) and the outstanding bank borrowings and overdraft amounted to HK\$14,460,000 (31st March, 2002: HK\$41,538,000) whereas the total borrowings was HK\$15,313,000 (31st March, 2002: HK\$42,568,000). For the period under review, the Group leveraged its strong financial position to reduce its bank borrowings, thus resulting in a lower cash balance.

As at 30th September, 2002, the gearing ratio of the Group was 0.09 (31st March, 2002: 0.26) which was calculated based on the Group's total borrowings of HK\$15,313,000 (31st March, 2002: HK\$42,568,000) and the shareholders' fund of HK\$175,807,000 (31st March, 2002: HK\$162,818,000).

As at 30th September, 2002, the Group had banking facilities amounting to HK\$64,260,000 (31st March, 2002: HK\$69,845,000), of which approximately HK\$16,501,000 (31st March, 2002: HK\$34,870,000) 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.

Staff and remuneration policies

As at 30th September, 2002, the number of staff employed by the Group was roughly the same with that of employed as at 31st March 2002. Remuneration of the staff, including insurance and medical benefits are mainly determined by the Group in accordance with practices in the industry. The Group will also adopt a reward scheme for the employees in accordance with the results performance.

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, 2002.

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

During the six months ended 30th September, 2002, 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, 2002 have been reviewed by the Audit Committee.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The unaudited interim reports of the Group for the six months ended 30th September, 2002 containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Cheng Chung Man, Johnny
Chairman and Managing Director

Hong Kong, 18th December, 2002

Please also refer to the published version of this announcement in The Standard dated on 19-12-2002.