

## PROSPECTS

### Fashion Business

As at 30th September, 2005, there were a total of 187 outlets under the Group's brand name, of which 62 were in Hong Kong and Macau, 62 in Taiwan, 10 in Singapore and 53 in China. In the future, the Group will maintain the number of its outlets in Hong Kong and Macau at the existing level, making adjustments according to rental levels. **Veeko** and **Wanko** brands have occupied a leading position in Taiwan's ladies fashion market. The Group will continue to develop its business in Taiwan progressively. Meanwhile, as the Singapore market is turning up, the Group will prudentially develop its local business. The China market will become the Group's key market for future development. In the China market, after years of development by way of franchise, the outlet network under **Veeko** and **Wanko** brand names now covers not only those first-tier cities, but also other second-tier cities. According to the franchisees, these two brands are well-received by female consumers in China. To capture this business opportunity, the Group is planning a parallel development approach. On one hand, it will continue to develop the China market by way of franchise; on the other hand, it is studying the feasibility of direct operation in China. 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. These measures will be helpful in countering part of the pressure from rental increase. The Group is confident about its future development in retail business.

### Cosmetics Business

It has been one year since the establishment of the cosmetics business. With a year's experience, the Group has mastered the operation and management of the business and is actively improving its operation mode and strategy. As a result, the business is on the track. The exclusive retail cosmetics products that the Group has currently obtained include Academie, Chen Yu make up series, Coréana, Entia, Ericson, Gatineau, Geo, Gerard's, Helenere, Isomarine and Monteil, which are mainly brands from France, Switzerland and Korea. The Group will increase the number of exclusively distributed products. In order to reduce procurement cost, increase gross profit and enhance its product mix, the Group will also improve the quality of the procurement team by recruiting professional merchandisers and purchasing high-quality cosmetics products around the world for exclusive distribution. Furthermore, as the current rentals, especially that of the tourist districts, have reached an unreasonable level, the Group has slowed down its outlet expansion since the middle of the year. The Group will continue the expansion when the rentals have returned to a reasonable level. Although a loss was still recorded for the cosmetics business, the Group believes that it has promising long-term prospects. We expect that this segment will begin contributing to the Group's business in short time, and are confident that it will become a major source of growth for the Group in future.

# Veeko International Holdings Limited

On 6th May, 2005, the Group's **Colourmix**, **Veeko** and **Wanko** brands were awarded "Superbrands (超級品牌)" by the Hong Kong Superbrands Council (香港超級品牌協會). The award has demonstrated the universal recognition of the customer loyalty, product quality, market dominance and acceptance of the Group's brands. Moreover, the Company was named an outstanding enterprise under the "Hong Kong Outstanding Enterprises Parade 2005" by Economic Digest, a reputable economic magazine in Hong Kong, in November, 2005. The award has proved that the outstanding performance of the Company was widely recognized in the past year. The Group will continue to offer products with superb value, improve product quality and enhance the service standards of its employees through staff training, with a view to providing even better services and strong support to the brands' development.

## LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK\$181,961,000 (restated) as at 31st March, 2005 to HK\$194,028,000 for the period end while its current ratio and quick ratio were maintained at a healthy level of 4.1 and 2 times respectively.

As at 30th September, 2005, the Group's cash and bank balances amounted to HK\$67,376,000 (31st March, 2005: HK\$95,575,000) and there was no outstanding bank borrowings and overdraft (31st March, 2005: nil) whereas the total borrowings was HK\$179,000 (31st March, 2005: HK\$278,000).

As at 30th September, 2005, the gearing ratio of the Group is 0.001 (31st March, 2005: 0.001) which is calculated based on the Group's total borrowings of HK\$179,000 (31st March, 2005: HK\$278,000) and the shareholders' fund of HK\$316,899,000 (31st March, 2005: HK\$282,451,000).

As at 30th September, 2005, the Group had banking facilities amounting to HK\$80,200,000 (31st March, 2005: HK\$80,572,000), of which approximately HK\$6,799,000 (31st March, 2005: HK\$3,230,000) 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, 2005, the Group had 3,420 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 incentive to enhance their loyalty to the Group.