

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The unaudited consolidated condensed interim accounts for the six months ended 30th September, 2006 are prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed interim accounts have been prepared on the historical cost basis except for certain properties, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed interim accounts are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs") that are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The application of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment and interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 8	Scope of HKFRS 2 ²
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ³

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st May, 2006.

³ Effective for annual periods beginning on or after 1st June, 2006.

Veeko International Holdings Limited

3. SEGMENT INFORMATION

Business Segments

The Group operates and manages the business segments as a strategic organisational unit 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 sale of ladies fashion and sale of cosmetics. Segment information about these businesses is presented below:

	Unaudited six months ended 30th September, 2006			
	Fashion	Cosmetics	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER				
Sales of goods	239,315	57,001	–	296,316
Inter-segment sales	68	103	(171)	–
	<u>239,383</u>	<u>57,104</u>	<u>(171)</u>	<u>296,316</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT RESULT	<u>22,814</u>	<u>(5,645)</u>		17,169
Unallocated corporate income				1,857
Unallocated corporate expenses				(2,835)
Finance costs				<u>(122)</u>
Profit before taxation				16,069
Taxation				<u>(1,460)</u>
Profit for the period				<u>14,609</u>

3. SEGMENT INFORMATION *(Continued)*

Business Segments *(Continued)*

	Unaudited six months ended 30th September, 2005			
	Fashion HK\$'000	Cosmetics HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
Sales of goods	235,655	34,552	–	270,207
Inter-segment sales	<u>53</u>	<u>1,842</u>	<u>(1,895)</u>	<u>–</u>
	<u>235,708</u>	<u>36,394</u>	<u>(1,895)</u>	<u>270,207</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT RESULT	<u>28,941</u>	<u>(7,433)</u>		21,508
Unallocated corporate income				15,840
Unallocated corporate expenses				(2,821)
Finance costs				<u>(10)</u>
Profit before taxation				34,517
Taxation				<u>(2,858)</u>
Profit for the period				<u>31,659</u>

4. PROFIT BEFORE TAXATION

	Six months ended 30th September,	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	<u>8,327</u>	<u>8,072</u>
and after crediting:		
Interest income	<u>236</u>	<u>389</u>

Veeko International Holdings Limited

5. TAXATION

	Six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	1,596	930
Overseas taxation	(357)	1,790
Deferred taxation		
Current year	221	138
	<u>1,460</u>	<u>2,858</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 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.

6. DIVIDEND PAID

	Six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
2006 final dividend of HK\$1.1 cents per share	<u>18,290</u>	<u>–</u>

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK\$14,609,000 (2005: HK\$31,659,000) and 1,662,172,678 shares (2005: 1,656,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit for the period of HK\$14,609,000 (2005: HK\$31,659,000) and the weighted average number of 1,665,860,525 shares (2005: 1,665,676,667 shares) issued and issuable, assuming that all of the outstanding share options had been exercised on the date of issue.

8. TRADE AND OTHER RECEIVABLES

At 30th September, 2006, included in the Group's trade and other receivables were trade receivables of HK\$47,409,000 (31st March, 2006: HK\$55,332,000). 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. Details of the aged analysis of trade receivables are as follows:

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Within 30 days	15,833	15,872
31 – 60 days	6,237	6,898
61 – 90 days	6,124	8,285
Over 90 days	19,215	24,277
	47,409	55,332
	47,409	55,332

The fair value of the Group's trade and other receivables approximates to the corresponding carrying amount.

9. TRADE AND OTHER PAYABLES

At 30th September, 2006, included in the Group's trade and other payables were trade payables of HK\$28,890,000 (31st March, 2006: HK\$42,905,000). Details of the aged analysis of the trade payables are as follows:

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Within 30 days	6,760	9,355
31 – 60 days	2,099	3,573
61 – 90 days	4,529	8,793
Over 90 days	15,502	21,184
	28,890	42,905
	28,890	42,905

The fair value of the Group's trade and other payables approximates to the corresponding carrying amount.

Veeko International Holdings Limited

10. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st April, 2006 and 30th September, 2006	10,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2006	1,661,700,000	16,617
Issue of shares upon exercise of share options (Note)	1,000,000	10
At 30th September, 2006	1,662,700,000	16,627

Note: During the period ended 30th September, 2006, 1,000,000 share options were exercised at prices of HK\$0.162 per share, resulting in issue of a total of 1,000,000 ordinary shares of HK\$0.01 each in the Company.

11. OPERATING LEASES

The Group as Lessee

At 30th September, 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Within one year	144,709	128,975
In the second to fifth year inclusive	134,019	136,191
Over five years	388	485
	<u>279,116</u>	<u>265,651</u>

In addition to these commitments, the Group may pay additional rental expenses in respect of certain premises which are dependent upon the level of sales achieved by particular shops.

The Group as Lessor

At 30th September, 2006, the Group had contracted with tenants for the following future minimum lease payments:

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Within one year	3,212	3,198
In the second to fifth year inclusive	1,153	2,666
	<u>4,365</u>	<u>5,864</u>

12. PLEDGE OF ASSETS

At 30th September, 2006, the following assets were pledged by the Group to certain banks to secure general banking facilities granted to the Group:

	30th September, 2006 (Unaudited) HK\$'000	31st March, 2006 (Audited) HK\$'000
Investment properties	46,750	46,550
Leasehold buildings	9,660	9,416
Prepaid lease payments	3,248	3,287
Short term bank deposits	1,000	1,000
	60,658	60,253

INTERIM DIVIDEND

At the Board Meeting held on 18th December, 2006, the Board has resolved to declare the payment of an interim dividend of HK0.70 cent (2006: HK0.90 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2007. The interim dividend will be payable on 26th January, 2007 to shareholders whose names appeared on the register of members of the Company at the close of business on 16th January, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17th January, 2007 to Friday, 19th January, 2007 (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 16th January, 2007.