

Management Discussion and Analysis

Operating results and Financial position

For the six months ended 30th September, 2000, the Group's unaudited turnover reached approximately HK\$166,096,000 (1999: HK\$131,641,000), rising by 26% as compared with the corresponding period of last year, while unaudited profits attributable to shareholders increased 46% to approximately HK\$25,038,000 (1999: HK\$17,097,000).

Business Review

In view of the gradual revival of the economy in Hong Kong in the first half of the year, the Group further employed strategic development plans and measures to enhance its competitiveness in terms of the overall retail development strategy in the Asia Pacific region, in particular Hong Kong, Taiwan and Singapore.

The Group relocated and expanded its head office in Hong Kong and its branch office in Taiwan during the first half of the year. It also fully increased resources and upgraded facilities for all divisions in order to meet the needs of and provide support for its branches in the entire Asia Pacific region.

The Group has always recognised the importance of quality of manpower in retail operations. In order to boost the moral of its sales teams and the quality of their service, the Group not only greatly increased the resources and facilities for staff training, but also appointed professional consultants to conduct advanced training courses and develop the potential of all employees. This is consistent with the Group's commitment to quality services.

In addition, the two main brandnames **Wanko** and **Veeko** of the Group have undergone a series of new remarketing campaign. The outlets were gradually renovated during the year and the latest design concepts were also introduced to enhance the competitiveness. A more favorable shopping environment was made available to our customers. As a result, the market position of the Group has been consolidated.

Veeko International Holdings Limited

Hong Kong Market

Although the economy as a whole has commenced a steady recovery, the purchasing power of the public is still conservatively prudent. Despite the effect of deflation, the Group has still performed well in the market and recorded a satisfactory growth. The turnover arising from the Hong Kong and Macau markets for the period ended 30th September 2000 amounted to HK\$131,161,000, increasing by 8%, and the number of outlets of **Wanko** and **Veeko** stood at 31 and 25 respectively.

Taiwan Market

The Group is striving for further progress based on the development plans set out in its previous annual results report. With its vigorous expansion, remarkable growth has been achieved accordingly. The turnover arising from the Taiwan market increased 292% to HK\$32,865,000. For the period ended 30th September 2000, the number of outlets of **Wanko** and **Veeko** increased to 28, compared with 13 for the corresponding period in 1999.

Singapore

The Group recognises the ladies apparel market potential of **Wanko** and **Veeko** in Singapore. Following its intensive study and research, the Group has successfully established its administrative office. There were three retail outlets by the end of November 2000. The result of preliminary response reached the target. It is anticipated that further development will be proceeded in next summer to increase the market share of the Group in Singapore.

Prospects

The Group will continuously expand its operations in the major markets including Hong Kong, Taiwan and Singapore, with its focus on strengthening the image of the brandnames **Wanko** and **Veeko** and upgrading the staff services quality as well as increasing its market share.

There is a deflationary economy in Hong Kong, with a downward trend of property prices and a shift of domestic consumption to Southern China resulting in a poor market sentiment. Furthermore, there are the signs of economic and financial uncertainty in the market of Taiwan. Notwithstanding these, the Group has managed to provide quality products and enhanced efficiency of its staff service. With sufficient capital, sound position of assets and liabilities and efficient operational cost control, the Board is still optimistic over the prospects of the Group and its satisfactory growth.

Veeko International Holdings Limited

Liquidity and financial resources

As at 30th September 2000, the bank deposits and cash of the Group was HK\$59.31 million (31st March 2000: HK\$51.80 million) whereas the total borrowings was HK\$25.30 million (31st March 2000: HK\$2.21 million).

At the period ended, the gearing ratio, "the ratio of total borrowings of HK\$25.30 million (31st March 2000: HK\$2.21 million) to shareholders' funds of HK\$138.28 million (31st March 2000: HK\$117.03 million)" of the Group is 0.18 (31st March 2000: 0.019). The change in the gearing ratio was mainly as the result of a new bank loan raised for the purpose of financing the purchase of a property for the use as the Headquarter of the Group. In spite of the increase in gearing ratio, the Group still maintain a safe and healthy financial position.