

CORPORATE INFORMATION

DIRECTORS

Executive

CHENG Chung Man, Johnny
(*Chairman and Managing Director*)
LAM Yuk Sum

Independent Non-Executive

CHENG Chung Hoo
YANG Wei Tak

LEGAL ADVISERS AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman, Cayman
Zephyr House
George Town
Grand Cayman
British West Indies

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

CHENG Chung Man, Johnny
LAM Yuk Sum

COMPANY SECRETARY

WONG Chi Ying

AUDIT COMMITTEE MEMBERS

CHENG Chung Hoo
YANG Wei Tak

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor, Wylar Centre Phase II
192-200, Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
3rd Floor
British American Tower
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited

WEBSITE ADDRESS

<http://www.veeko.com.hk>

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

	Notes	Unaudited six months ended 30th September	
		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

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2002

	Notes	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Non-current Assets			
Investment properties		30,157	27,460
Property, plant and equipment		52,977	56,961
		83,134	84,421
Current Assets			
Inventories		65,344	62,858
Trade and other receivables	7	25,147	29,020
Rental and utility deposits		28,259	26,202
Taxation recoverable		1,128	1,145
Pledged bank deposits		1,346	6,333
Bank balances and cash		21,208	27,076
		142,432	152,634
Current Liabilities			
Trade and other payables	8	33,108	30,706
Bills payable		65	–
Taxation payable		1,273	963
Obligations under finance leases			
– due within one year		301	350
Bank borrowings			
– due within one year		10,170	36,663
		44,917	68,682
Net Current Assets			
		97,515	83,952
		180,649	168,373
Capital and Reserves			
Share capital	9	16,560	16,560
Reserves		154,279	146,258
Proposed dividend		4,968	–
		175,807	162,818
Non-current Liabilities			
Obligations under finance leases			
– due after one year		552	680
Bank borrowings			
– due after one year		4,290	4,875
		4,842	5,555
		180,649	168,373

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2002*

	Unaudited	
	six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	24,258	(15,444)
Net cash used in investing activities	(2,475)	(4,641)
Net cash used in financing activities	(1,244)	(2,194)
Increase/(Decrease) in cash and cash equivalents	20,539	(22,279)
Cash and cash equivalents at 1st April	(8,417)	(10,274)
Effect of foreign exchange rates changes	86	(7)
Cash and cash equivalents at 30th September	<u>12,208</u>	<u>(32,560)</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	21,208	11,342
Bank loan with maturity date within three months of date of advance	(9,000)	(17,000)
Bank overdraft	-	(16,179)
Import loans	-	(10,723)
	<u>12,208</u>	<u>(32,560)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2002

	Share Capital	Share Premium	Exchange Translation Reserve	Special Reserve	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	16,560	8,611	(81)	2,266	135,462	162,818
Exchange differences on translation of overseas operations	-	-	(528)	-	-	(528)
Profit attributable to shareholders	-	-	-	-	13,517	13,517
At 30th September 2002	<u>16,560</u>	<u>8,611</u>	<u>(609)</u>	<u>2,266</u>	<u>148,979</u>	<u>175,807</u>
At 1st April 2001 as previously reported	16,560	8,611	144	2,266	120,201	147,782
Effect of adopting SSAP 9 (Revised)	-	-	-	-	6,127	6,127
At 1st April 2001 as restated	16,560	8,611	144	2,266	126,328	153,909
Exchange differences on translation of overseas operations	-	-	(7)	-	-	(7)
Profit attributable to shareholders	-	-	-	-	1,854	1,854
At 30th September 2001	<u>16,560</u>	<u>8,611</u>	<u>137</u>	<u>2,266</u>	<u>128,182</u>	<u>155,756</u>

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").

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.

2. SEGMENT INFORMATION (CONTINUED)

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	<u>121,649</u>	<u>50,842</u>	<u>13,130</u>	<u>9,951</u>	<u>195,572</u>
SEGMENT RESULT	<u>10,012</u>	<u>3,511</u>	<u>(331)</u>	<u>1,639</u>	<u>14,831</u>
Unallocated corporate income					<u>1,560</u>
Unallocated corporate expenses					<u>(1,405)</u>
Profit from operations					<u>14,986</u>
Finance costs					<u>(483)</u>
Profit before taxation					<u>14,503</u>
Taxation					<u>(986)</u>
Profit attributable to shareholders					<u>13,517</u>
	Unaudited six months ended 30th September 2001				
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Consolidated HK\$'000
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>	<u>3,860</u>
Unallocated corporate income					<u>1,743</u>
Unallocated corporate expenses					<u>(2,138)</u>
Profit from operations					<u>3,465</u>
Finance costs					<u>(1,428)</u>
Profit before taxation					<u>2,037</u>
Taxation					<u>(183)</u>
Profit attributable to shareholders					<u>1,854</u>

3. PROFIT FROM OPERATIONS

	Unaudited six months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	10,372	9,536
and after crediting:		
Interest income	115	375

4. TAXATION

	Unaudited six months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	914	360
Overseas Taxation	72	(177)
	986	183

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.

7. TRADE AND OTHER RECEIVABLES

At 30th September, 2002, included in the Group's trade and other receivables were trade receivables of HK\$21,652,000 (31st March, 2002: HK\$24,910,000). The Group allows an average credit period of 30 to 90 days to its trade customers. Details of the aged analysis of trade receivables are as follows:

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
0 – 30 days	10,794	10,915
31 – 60 days	2,052	6,279
Over 60 days	8,806	7,716
	<u>21,652</u>	<u>24,910</u>

8. TRADE AND OTHER PAYABLES

At 30th September, 2002, included in the Group's trade and other payables were trade payables of HK\$15,152,000 (31st March, 2002: HK\$13,716,000). Details of the aged analysis of the trade payables are as follows:

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
0 – 30 days	7,684	5,140
31 – 60 days	1,662	2,011
Over 60 days	5,806	6,565
	<u>15,152</u>	<u>13,716</u>

9. SHARE CAPITAL

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Authorised:		
10,000,000,000 shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,656,000,000 ordinary shares of HK\$0.01 each	<u>16,560</u>	<u>16,560</u>

10. CONTINGENT LIABILITIES

At 30th September, 2002, the Company had guarantees of approximately HK\$88,990,000 (31st March, 2002:HK\$89,849,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company. The amount utilised by the subsidiaries was approximately HK\$16,501,000 (31st March, 2002: HK\$34,870,000) as at 30th September, 2002.

11. OPERATING LEASE COMMITMENTS

At 30th September, 2002, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Unaudited 30th September 2002 HK\$'000	Audited 31st March 2002 HK\$'000
Within one year	95,216	84,641
In the second to fifth year inclusive	100,917	88,338
Over five years	13,514	16,235
	<u>209,647</u>	<u>189,214</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.

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 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.

DIRECTORS' INTERESTS IN SHARES

At 30th September, 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations were as follow:

Name of director	Nature of interests	Number of shares held
Mr. Cheng Chung Man, Johnny	Family interests (<i>Note</i>)	994,044,180
Ms. Lam Yuk Sum	Personal interests	124,194,000
	Family/other interests (<i>Note</i>)	994,044,180

Note:

These shares are beneficially owned by Silver Crown Profits Limited ("Silver Crown"). The shares in Silver Crown are in turn held by the trustee of the J Cheng Family Trust, a discretionary trust, the discretionary objects of which include family members of Mr. Cheng Chung Man, Johnny and Ms. Lam Yuk Sum.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30th September, 2002.

SUBSTANTIAL SHAREHOLDERS

At 30th September, 2002, the following information was recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance :

Name of shareholder	Number of shares held
Silver Crown Profits Limited	994,044,180

Save as disclosed above, the Company had not been notified of any interests representing 10% or more of the issued share capital of the Company as at 30th September, 2002.

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.

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

Hong Kong, 18th December, 2002