

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the "Interim Accounts") for the six months ended 30th September, 2004 are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public 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 unaudited condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments by market are its primary reporting format.

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, 2004					
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
Sales of goods	128,317	61,235	14,354	13,992	-	217,898
Inter-segment sales	4,836	-	-	-	(4,836)	-
	<u>133,153</u>	<u>61,235</u>	<u>14,354</u>	<u>13,992</u>	<u>(4,836)</u>	<u>217,898</u>
Inter-segment sales are charged at prevailing market rates.						
SEGMENT RESULT	<u>26,903</u>	<u>5,473</u>	<u>(745)</u>	<u>2,605</u>		34,236
Unallocated corporate income						1,640
Unallocated corporate expenses						(1,965)
Profit from operations						33,911
Finance costs						(18)
Profit before taxation						33,893
Taxation						(3,493)
Profit attributable to shareholders						<u>30,400</u>

Veeko International Holdings Limited

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Unaudited six months ended 30th September, 2003

	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
Sales of goods	103,260	48,456	14,613	9,051	-	175,380
Inter-segment sales	<u>4,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,582)</u>	<u>-</u>
	<u>107,842</u>	<u>48,456</u>	<u>14,613</u>	<u>9,051</u>	<u>(4,582)</u>	<u>175,380</u>
Inter-segment sales are charged at prevailing market rates.						
SEGMENT RESULT	<u>11,912</u>	<u>3,753</u>	<u>(2,503)</u>	<u>1,024</u>		14,186
Unallocated corporate income						2,140
Unallocated corporate expenses						<u>(2,581)</u>
Profit from operations						13,745
Finance costs						<u>(20)</u>
Profit before taxation						13,725
Taxation						<u>(1,388)</u>
Profit attributable to shareholders						<u>12,337</u>

3. PROFIT FROM OPERATIONS

	Six months ended 30th September, 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	<u>7,084</u>	<u>8,780</u>
and after crediting:		
Interest income	<u>144</u>	<u>142</u>

4. TAXATION

	Six months ended 30th September, 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	2,186	577
Overseas Taxation	1,183	885
Deferred taxation relating to the origination and reversal of temporary difference	124	76
Deferred taxation resulting from an increase in tax rate	<u>-</u>	<u>(150)</u>
	<u>3,493</u>	<u>1,388</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 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.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$30,400,000 (2003: HK\$12,337,000) and 1,656,000,000 shares (2003: 1,656,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$30,400,000 and the weighted average number of 1,658,503,852 shares issued and issuable, assuming that all of the outstanding share options had been exercised on the date of issue. No diluted earnings per share was presented for the same period last year as there was no potential dilutive shares in issue during that period.

6. TRADE AND OTHER RECEIVABLES

At 30th September, 2004, included in the Group's trade and other receivables were trade receivables of HK\$16,164,000 (31st March, 2004: HK\$14,006,000). 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, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
Within 30 days	9,624	6,285
31 – 60 days	5,548	5,556
61 – 90 days	670	2,050
Over 90 days	322	115
	<u>16,164</u>	<u>14,006</u>

7. TRADE AND OTHER PAYABLES

At 30th September, 2004, included in the Group's trade and other payables were trade payables of HK\$11,478,000 (31st March, 2004: HK\$9,763,000). Details of the aged analysis of the trade payables are as follows:

	30th September, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
Within 30 days	10,038	5,699
31 – 60 days	1,277	2,144
Over 60 days	163	1,920
	<u>11,478</u>	<u>9,763</u>

8. SHARE CAPITAL

	30th September, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary 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>

9. CONTINGENT LIABILITIES

At 30th September, 2004, the Company had provided guarantees of HK\$84,390,000 (31st March, 2004: HK\$84,390,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company. The amount utilised by the subsidiaries was HK\$2,517,000 (31st March, 2004: HK\$2,998,000) as at 30th September, 2004.

At 30th September, 2004, the Group had provided guarantees of HK\$84,755,000 (31st March, 2004: HK\$84,771,000) to certain banks in respect of standby banking facilities, of which bank guarantees of HK\$2,881,000 were utilised under these facilities (31st March, 2004: HK\$3,365,000).

10. OPERATING LEASE COMMITMENTS

At 30th September, 2004, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30th September, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
Within one year	95,979	77,581
In the second to fifth year inclusive	93,278	42,227
Over five years	761	848
	<u>190,018</u>	<u>120,656</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.

11. PLEDGE OF ASSETS

At 30th September, 2004, the following assets were pledged by the Group to certain banks to secure general banking facilities granted to the Group:

	30th September, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
Investment properties	26,130	26,130
Leasehold land and buildings	14,533	14,800
Short term bank deposits	1,378	1,367
	<u>42,041</u>	<u>42,297</u>

INTERIM DIVIDEND

At the Board Meeting held on 21st December, 2004, the board of directors has resolved to declare the payment of an interim dividend of HK0.80 cent (2004: HK0.30 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2005. The interim dividend will be payable on 25th January, 2005 to shareholders whose names appeared on the register of members of the Company at the close of business on 21st January, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Wednesday, 19th January, 2005 to Friday, 21st January, 2005 (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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 18th January, 2005.