

INTERIM DIVIDEND

At the Board Meeting held on 19th December, 2005, the board of directors has resolved to declare the payment of an interim dividend of HK0.90 cent (2005: HK0.80 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2006. The interim dividend will be payable on 20th January, 2006 to shareholders whose names appeared on the register of members of the Company at the close of business on 11th January, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Thursday, 12th January, 2006 to Monday, 16th January, 2006 (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 (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3rd January 2006) for registration no later than 4:00 p.m. on Wednesday, 11th January, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

For the six months ended 30th September, 2005, the Group recorded a turnover of HK\$270,207,000 (2004: HK\$217,898,000), representing an increase of 24% as compared with the corresponding period of the previous year. HK\$34,552,000 of the turnover was contributed by the new cosmetics business. The turnover from fashion business increased by 8.1% from the corresponding period of the previous year. The profit attributable to shareholders during the period was HK\$31,659,000 (2004 restated: HK\$29,913,000), representing an increase of 5.8% as compared with the corresponding period of the previous year. During the period under review, the gross profit margin decreased by approximately 4% as compared with the corresponding period of the previous year, mainly due to the dilution of gross profit margin by the new cosmetics retail business.

Fashion Business

Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau remained the major source of income of the Group, accounting for 55.1% of the overall turnover of its fashion business. For the six months ended 30th September, 2005, the Hong Kong and Macau Market recorded a turnover of HK\$129,793,000, representing a slight increase as compared with the corresponding period of the previous year. As at 30th September, 2005, the Group had altogether 62 outlets in Hong Kong and Macau (30th September, 2004: 60 outlets). During the period under review, the rental charge increased by 12.8% from the corresponding period of the previous year due to the general increase in rental levels in Hong Kong and Macau. The Group will maintain the number of its outlets at the existing level, making adjustments according to rental levels.

Veeko International Holdings Limited

Fashion Business – Taiwan Market

In the first half of the financial year, the retail business in Taiwan recorded a turnover of HK\$70,230,000, representing a 14.7% increase over the corresponding period of the previous year. As at 30th September, 2005, the number of outlets in Taiwan increased to 62 from 56 in the corresponding period of the previous year. During the period under review, Taiwan market accounted for 29.8% of the Group's total turnover in the fashion business.

Fashion Business – Singapore Market

In the first half of the financial year, the retail business in Singapore recorded a turnover of HK\$14,803,000, representing a 3.1% increase over the corresponding period of the previous year, which was mainly attributable to the strategic closing of several outlets with unsatisfactory performance in Singapore since last year. Together with the strengthened local management team, the segment results in Singapore returned to profit with significant improvement starting from the second half of last year. As at 30th September, 2005, the Group had 10 outlets in Singapore (30th September, 2004: 9 outlets).

Fashion Business – Other Markets

As at 30th September, 2005, besides the markets in Hong Kong and Macau, Taiwan and Singapore, there were 53 outlets on the mainland offering the Group's **Veeko** and **Wanko** products (30th September 2004: 43 outlets). Most of these outlets operated by way of franchise. The outlet network under **Veeko** and **Wanko** brand names now covers not only first-tier cities such as Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen and Zhuhai, but also other cities, including Chongqing, Wuhan, Nanjing, Kunming, Xiamen, Nanchang, Nanning, Zhengzhou and Xi'an. Thanks to the ongoing economic growth in mainland China, sales in the mainland market was impressive during the period under review.

Cosmetics Business

The Group launched its cosmetics retail chain business in October, 2004 and established the **Colourmix** stores. As at 30th September, 2005, one year after the launch of the cosmetics business, the Group had 11 outlets, of which 8 were in Hong Kong and 3 in Macau. During the period under review, the Group's cosmetics retail business recorded a turnover of HK\$34,552,000, accounting for 12.8% of the Group's total turnover. A loss of HK\$7,433,000 was recorded due to the necessary reviews and adjustments on the operation mode and product mix throughout the initial development stage. In particular, a further number of exclusively distributed cosmetics products were necessary for reducing procurement cost and increasing gross profit. Moreover, the launch of the cosmetics business coincided with the surge of rental levels. At first, the **Colourmix** outlets were opened in large shopping malls, where they were less affected by rental increase. Since April, 2005, however, we began opening new outlets in tourist districts, such as the Park Lane Shoppers Boulevard in Tsim Sha Tsui and Mongkok, where rental levels are high. The reasons are to ensure the completeness of our retail network and boost the reputation of the **Colourmix** brand. As a result, high rental brought pressure to the new cosmetics business.