

Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Interim Report 中期報告書

For the six months ended 30th September, 2001

截至二零零一年九月三十日止六個月



Veeko®

wanko®

i-MIIX

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, 2001. The results, together with the comparative figures for the corresponding period in 2000, are summarised below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2001

	Notes	Unaudited Six months ended 30th September	
		2001 HK\$'000	2000 HK\$'000
Turnover	2	165,355	166,096
Cost of sales		(44,074)	(41,853)
Selling and distribution costs		(88,165)	(68,702)
Administrative expenses		(32,383)	(29,976)
Other revenues		2,357	862
Profit from operations	3	3,090	26,427
Finance costs		(1,428)	(531)
Investment income		375	1,607
Profit before taxation		2,037	27,503
Taxation	4	(183)	(2,465)
Profit attributable to shareholders		1,854	25,038
Interim dividend		-	(3,809)
Earnings per share	5	0.11 cent	1.51 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2001

	Notes	Unaudited 30th September 2001 HK\$'000	Restated 31st March 2001 HK\$'000
Non-current Assets			
Investment properties		28,150	28,150
Property, plant and equipment		60,015	58,587
		88,165	86,737
Current Assets			
Inventories		72,158	58,210
Trade and other receivables	6	23,470	17,640
Rental and utility deposits		25,294	23,746
Taxation recoverable		2,192	1,728
Pledged bank deposits		6,355	6,000
Bank balances and cash		21,773	27,042
		151,242	134,366
Current Liabilities			
Trade and other payables	7	31,160	35,597
Bills payables		640	1,140
Taxation payable		827	1,173
Obligations under hire purchase contracts – due within one year		258	290
Bank borrowings – due within one year		45,072	22,708
		77,957	60,908
Net Current Assets		73,285	73,458
		161,450	160,195
Capital and Reserves			
Share capital	8	16,560	16,560
Reserves	9	133,069	131,222
Proposed dividend		6,127	6,127
		155,756	153,909
Non-current Liabilities			
Obligations under hire purchase contracts – due after one year		234	241
Bank borrowings – due after one year		5,460	6,045
		161,450	160,195

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2001

	Unaudited	
	Six months ended	
	30th September	
	2001	2000
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(14,450)	24,289
Net cash inflow/(outflow) from returns on investments and servicing of finance	277	(4,877)
Total taxation paid	(993)	(1,357)
Net cash outflow from investing activities	(6,346)	(21,016)
Net cash outflow before financing	(21,512)	(2,961)
Net cash (outflow)/inflow from financing	(767)	7,489
(Decreases)/Increase in cash and cash equivalents	(22,279)	4,528
Cash and cash equivalents at 1st April	(10,274)	1,600
Effect of foreign exchange rates changes	(7)	–
Cash and cash equivalents at 30th September	(32,560)	6,128

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th September, 2001

	Unaudited	
	Six months ended	
	30th September	
	2001	2000
	HK\$'000	HK\$'000
Exchange differences arising on translation of overseas operations not recognised in the consolidated income statement	(7)	–
Net profit for the period	1,854	25,038
Total recognised gains for the period	1,847	25,038

NOTES TO CONDENSED INTERIM ACCOUNTS:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the "Interim Accounts") for the six months ended 30th September, 2001 are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No.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, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAP issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

- SSAP 9 (Revised): Events after the balance sheet date
- SSAP 14 (Revised): Leases (effective for periods commencing on or after 1st July, 2000)
- SSAP 26 (Revised): Segment reporting

The changes in the Group's accounting policies resulting from the adoption of these revised standards are set out below:

- (a) SSAP 9 (Revised): Events after the balance sheet date

In accordance with the SSAP 9 (Revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

The adjustment has resulted in a decrease in current liabilities at 30th September, 2001 by HK\$6,127,000 (31st March, 2001:HK\$6,127,000) for the provision of the proposed dividend that is no longer required.

- (b) SSAP 14 (Revised): Leases

The revised standard requires the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

- (i) not later than one year
(ii) later than one year and not later than five years, and
(iii) later than five years

Comparative figures have been restated to conform to the current period's presentation.

2. SEGMENT INFORMATION

The Group is principally engaged in design, manufacturing and retailing of ladies' apparel under the Group's three own brandnames, namely, **Wanko**, **Veeko** and **i-MIIX**.

An analysis of the Group's turnover and the contribution to profit from operations for the period by principal markets is as follows:

	Unaudited Turnover		Unaudited Contribution to profit (loss) from operations	
	Six months ended 30th September 2001 HK\$'000	Six months ended 30th September 2000 HK\$'000	Six months ended 30th September 2001 HK\$'000	Six months ended 30th September 2000 HK\$'000
Hong Kong and Macau	107,006	131,161	2,721	20,107
Taiwan	44,129	32,865	712	5,247
Others	14,220	2,070	(343)	1,073
	<u>165,355</u>	<u>166,096</u>	<u>3,090</u>	<u>26,427</u>
Finance costs			(1,428)	(531)
Investment income			375	1,607
Profit before taxation			<u>2,037</u>	<u>27,503</u>

No analysis of the Group's turnover for the period by principal activities has been prepared as less than 10% of such amounts are derived from activities other than retailing of ladies' apparel.

3. PROFIT FROM OPERATIONS

	Unaudited	
	Six months ended	
	30th September	
	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging :		
Depreciation of property, plant and equipment	9,536	7,120
and after crediting:		
Interest income	375	1,607

4. TAXATION

	Unaudited	
	Six months ended	
	30th September	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	360	1,265
Overseas Taxation	(177)	1,200
	183	2,465

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. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$1,854,000 (2000: HK\$25,038,000) and on the 1,656,000,000 shares in issue (2000: 1,656,000,000) during the period.

6. TRADE AND OTHER RECEIVABLES

At 30th September, 2001, included in the Group's trade and other receivables were trade receivables of approximately HK\$16,059,000 (31st March, 2001: HK\$14,073,000). The Group's credit card sales and credit terms on consignment sales are mostly range from 0 – 60 days. Details of the aged analysis of trade receivables are as follows:

	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2001 HK\$'000
0 – 30 days	10,245	10,044
31 – 60 days	5,801	3,813
Over 60 days	13	216
	16,059	14,073

7. TRADE AND OTHER PAYABLES

At 30th September, 2001, included in the Group's trade and other payables were trade payables of approximately HK\$13,322,000 (31st March, 2001: HK\$18,927,000). Details of the aged analysis of the trade payables are as follows:

	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2001 HK\$'000
0 – 30 days	3,743	8,319
31 – 60 days	6,560	8,719
Over 60 days	3,019	1,889
	13,322	18,927

8. SHARE CAPITAL

	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2001 HK\$'000
Authorised :		
10,000,000,000 of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid :		
1,656,000,000 ordinary share of HK\$0.01 each	<u>16,560</u>	<u>16,560</u>

9. RESERVES

	Share Premium	Translation Reserve	Contributed Surplus	Special Reserve	Retained Profits (deficit)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2000 as previously reported	8,611	154	0	2,266	89,438	100,469
Effect of adopting SSAP 9 (Revised) (Note 1(a))	0	0	0	0	6,127	6,127
At 1st April 2000 as restated	8,611	154	0	2,266	95,565	106,596
1999/2000 final dividend paid	0	0	0	0	(6,127)	(6,127)
Exchange differences on translation of overseas operations	0	(10)	0	0	0	(10)
Profit attributable to shareholders	0	0	0	0	40,699	40,699
2000/2001 interim dividend paid	0	0	0	0	(3,809)	(3,809)
At 31st March 2001 before proposed dividend	8,611	144	0	2,266	126,328	137,349
2000/2001 final dividend proposed	0	0	0	0	(6,127)	(6,127)
At 31st March 2001 after proposed dividend	<u>8,611</u>	<u>144</u>	<u>0</u>	<u>2,266</u>	<u>120,201</u>	<u>131,222</u>
At 1st April 2001 as previously reported	8,611	144	0	2,266	120,201	131,222
Effect of adopting SSAP 9 (Revised) (Note 1(a))	0	0	0	0	6,127	6,127
At 1st April 2001 as restated	8,611	144	0	2,266	126,328	137,349
Exchange differences on translation of overseas operations	0	(7)	0	0	0	(7)
Profit attributable to shareholders	0	0	0	0	1,854	1,854
At 30th September 2001	<u>8,611</u>	<u>137</u>	<u>0</u>	<u>2,266</u>	<u>128,182</u>	<u>139,196</u>

10. CONTINGENT LIABILITIES

At 30th September, 2001, the Company had guarantees of approximately of HK\$90,062,000 (31st March, 2001:HK\$90,062,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company. The amount utilised by the subsidiaries was approximately HK\$42,206,000 (31st March, 2001: HK\$25,142,000).

11. OPERATING LEASE COMMITMENTS

The total future minimum payments under non-cancellable operating leases in respect of rented properties of the Group are as follows:

	Unaudited 30 September 2001 HK\$'000	Restated 31 March 2001 HK\$'000
Not later than one year	93,572	82,668
Later than one year and not later than five years	105,598	83,191
Later than five years	18,010	19,693
	217,180	185,552

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th September, 2001 (2000: HK0.23 cent per share of HK\$0.01 each).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period under review, the Group's turnover was approximately HK\$165,355,000, about the same level of HK\$166,096,000 in the corresponding period last year. Profit attributable to shareholders was approximately HK\$1,854,000, compared to approximately HK\$25,038,000 the same period last year. Reasons for these interim results' decline were mainly attributed to the economic downturn within the Group's principal markets, i.e. Hong Kong and Taiwan, as well as weak consumption power and malignant competition which involved offering large discounts to customers so as to promote sales. Thus, gross profit margin was adversely affected. In addition, the Group attempted to diversify its products and markets during the first half of the year, and launched the new brandname **i-MIIX** to explore into the girls' trendy casual apparel retail market. This resulted in an increase in both the Group's investment in new operation and operating costs.

Retail markets in Hong Kong and Macau had been poor. Against the backdrop of economic downturn and deflation, business of various industries were much worse off than before with many companies had their financial burdens relieved by laying off staffs or lowering their wages. Some companies even closed down because of operating difficulties, which in turn dragged consumer spending further. The retail sector in Hong Kong recorded a turnover of approximately HK\$107,006,000 in the first half of the financial year, while the turnover for the same period last year was approximately HK\$131,161,000, representing a drop of 18.4%.

As for Taiwan market, due to its political instability and economic setback, unemployment rate was high and consumption power was weak. Malignant competition from the peers had forced the Group to offer more discounts to customers so as to promote sales. Thus, gross profit margin for this period was adversely affected. As a result, despite a turnover of approximately HK\$44,129,000 for the first half of the financial year as compared to approximately HK\$32,865,000 the same period last year, which represented a growth of 34.3%, profits from operations in Taiwan has fallen.

As for the PRC market which has been the focus of the Group's network development, we are convinced that the ladies' apparel brandnames **Wanko** and **Veeko** will have great potential for market development, with the PRC's entry into the World Trade Organization along with a remarkable growth in its economy as well as an enhancement of people's living standard. The Group has already started to build up its own outlets and franchised stores in major cities of the PRC, such as Beijing, Guangzhou and Shenzhen. The initial response has been encouraging.

Singapore had also been adversely affected by economic setback. The Group had set up 5 **Wanko** outlets and 3 **Veeko** outlets there. Due to the fact that those outlets are in their initial stage, a slight loss was recorded in the first half of the year.

PROSPECTS

Although the global economic outlook is still uncertain and with the "911" event took place in the U.S., it is expected that economic recovery in Hong Kong and Taiwan may not appear in the short term. In normal circumstances, the Spring/Summer season in the first half of the year is a low season for the apparel retail industry while performance is usually better during the Autumn/Winter season. The Group has taken corresponding measures in response. Apart from reducing selling cost and developing the new brandname **i-MIIX**, the Group has managed to invite Miss Lau Ka Ling, Carina, who is famous actress among the Mainland China, Hong Kong as well as Taiwan, to be the spokeswoman for the Group's **Wanko** brandname products. With Miss Lau Ka Ling, Carina's image of elegance and lofty taste, the brandname has been enhanced to a higher position as a forerunner of fashion, so as to better serve customers' demand and expectation. The initial response from these three markets has been good. It is believed that with the Group's aggressive and effective measures taken in the second half of the year, performance will improve as a result.

LIQUIDITY AND BORROWING

As at 30th September, 2001, the Group's shareholders' fund amounted to HK\$155,756,000 (31st March, 2001 (restated): HK\$153,909,000). The Group's cash and bank balances amounted to HK\$28,128,000 (31st March, 2001: HK\$33,042,000) and the outstanding bank borrowings and overdraft amounted to HK\$50,532,000 (31st March, 2001: HK\$28,753,000) whereas the total borrowings was HK\$51,024,000 (31st March, 2001: HK\$29,284,000).

At the end of the period, the gearing ratio (the ratio of total borrowings to shareholders' funds) of the Group is 0.33 (31st March, 2001 (restated): 0.19). The change in the gearing ratio was mainly the result of the Group's expenses of approximately HK\$11,480,000 in respect of property, plant and equipment, which was utilized mainly for expanding its own retail outlets in Taiwan and Singapore and for the addition of equipment for the plants established in Dongguan and Shantou.

Even though the gearing ratio increased, the Group managed to maintain a healthy financial position.

STAFF AND REMUNERATION POLICIES

As at 30th September, 2001, the Group had a total of 3,037 employees. 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 annual results performance.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2001, the interests of the directors in the share capital of the Company were as follow:

Name of director	Nature of interests	Number of shares held
Mr. Cheng Chung Man, Johnny	Family interests (Note)	911,739,650
Ms. Lam Yuk Sum	Personal interests	124,194,000
	Family/other interests (Note)	911,739,650
Mr. Ng Man Kit, Lawrence	Personal interests	82,324,530

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 beneficiaries of which include Mr. Cheng Chung Man, Johnny's family members.

Save as disclosed above, other than certain nominee shares in the 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 corporation as defined in the SDI Ordinance as at 30th September, 2001.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, 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	911,739,650

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, 2001.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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, 2001.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2001, 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, 2001 have been reviewed by the Audit Committee.

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

Hong Kong, 19th December, 2001

CORPORATE INFORMATION

DIRECTORS

Executive

CHENG Chung Man, Johnny
(Chairman and Managing Director)
LAM Yuk Sum
NG Man Kit, Lawrence

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

LEAGL 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
NG Man Kit, Lawrence

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, Wyler 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>