



Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

股份代號 Stock Code: 1173

Veeko代言人
影線紅人
徐子珊

Wanko代言人
影線紅人
佘詩曼



wanko®

Fall / Winter
2014



Wanko 代言人
影視紅人
余詩曼



CORPORATE INFORMATION

Directors

Executive directors

Mr. CHENG Chung Man, Johnny
(Chairman)

Ms. LAM Yuk Sum
(Chief Executive Officer)

Independent non-executive directors

Dr. FOK Kam Chu, John

Mr. YANG Wei Tak

Mr. YEUNG Wing Kay

Audit Committee Members

Mr. YEUNG Wing Kay (Chairman)

Dr. FOK Kam Chu, John

Mr. YANG Wei Tak

Nomination Committee

Members

Mr. CHENG Chung Man, Johnny
(Chairman)

Dr. FOK Kam Chu, John

Ms. LAM Yuk Sum

Mr. YANG Wei Tak

Mr. YEUNG Wing Kay

Remuneration Committee

Members

Mr. YEUNG Wing Kay (Chairman)

Mr. CHENG Chung Man, Johnny

Dr. FOK Kam Chu, John

Ms. LAM Yuk Sum

Mr. YANG Wei Tak

Authorised Representatives

Mr. CHENG Chung Man, Johnny

Ms. LAM Yuk Sum

Company Secretary

Ms. WONG Chi Ying

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

40th Floor, Jardine House

1 Connaught Place

Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

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

Website Addresses

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

<http://www.irasia.com/listco/hk/veeko/index.htm>

Stock Code

1173



UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") 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, 2014. The results, together with the comparative figures for the corresponding period in 2013, are summarised below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2014

		Six months ended 30th September,	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Notes		
Turnover	3	862,357	720,157
Cost of goods sold		(466,141)	(370,980)
Gross profit		396,216	349,177
Selling and distribution costs		(298,803)	(278,315)
Administrative expenses		(60,122)	(53,165)
Other income, gains and losses		5,591	2,226
Finance costs		(1,210)	(904)
Profit before tax		41,672	19,019
Income tax expense	4	(5,562)	(3,607)
Profit for the period	5	36,110	15,412
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(241)	524
Total comprehensive income for the period		35,869	15,936
Dividends	6	20,850	19,989
Earnings per share	7		
Basic		HK1.559 cents	HK0.6940 cent
Diluted		HK1.555 cents	HK0.6934 cent





CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2014

		30th September, 2014 (Unaudited) HK\$'000	31st March, 2014 (Audited) HK\$'000
	Notes		
Non-current Assets			
Investment properties		1,840	1,840
Property, plant and equipment		151,689	149,685
Prepaid lease payments		7,952	7,984
Rental deposits paid		61,173	60,934
Deferred tax assets		7,972	8,486
		<u>230,626</u>	<u>228,929</u>
Current Assets			
Inventories		468,576	409,038
Trade and other receivables	8	67,276	57,024
Prepaid lease payments		266	262
Rental and utility deposits paid		46,276	40,545
Certificate of deposit		–	6,253
Pledged bank deposits		6,582	6,500
Bank balances, deposits and cash		90,461	91,279
		<u>679,437</u>	<u>610,901</u>
Current Liabilities			
Trade and other payables	9	85,412	71,916
Rental deposits received		12	12
Secured bank borrowings			
– due within one year		108,835	86,536
Tax payable		8,696	6,104
		<u>202,955</u>	<u>164,568</u>
Net Current Assets		<u>476,482</u>	<u>446,333</u>
		<u><u>707,108</u></u>	<u><u>675,262</u></u>





CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30th September, 2014

		30th September, 2014 (Unaudited) HK\$'000	31st March, 2014 (Audited) HK\$'000
	<i>Notes</i>		
Capital and Reserves			
Share capital	10	23,166	23,153
Reserves		668,623	632,074
		<hr/> 691,789 <hr/>	<hr/> 655,227 <hr/>
Non-current Liabilities			
Secured bank borrowings			
– due after one year		10,232	15,258
Deferred tax liabilities		5,087	4,777
		<hr/> 15,319 <hr/>	<hr/> 20,035 <hr/>
		<hr/> 707,108 <hr/> <hr/>	<hr/> 675,262 <hr/> <hr/>





CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2014

	Six months ended 30th September, 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash from (used in) operating activities	4,085	(11,365)
Net cash used in investing activities	(21,552)	(18,126)
Net cash from financing activities	16,305	18,905
Net decrease in cash and cash equivalents	(1,162)	(10,586)
Cash and cash equivalents at 1st April	91,279	83,171
Effect of foreign exchange rate changes	344	444
Cash and cash equivalents at 30th September	<u>90,461</u>	<u>73,029</u>
Representing by:		
Bank balances, deposits and cash	<u>90,461</u>	<u>73,029</u>





CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2014

(Unaudited)

	Share Capital HK\$'000	Share Premium HK\$'000	Translation Reserve HK\$'000	Special Reserve HK\$'000	Statutory Reserves (Note) HK\$'000	Share Option Reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
At 1st April, 2014 (audited)	<u>23,153</u>	<u>187,012</u>	<u>(1,459)</u>	<u>2,266</u>	<u>181</u>	<u>760</u>	<u>443,314</u>	<u>655,227</u>
Profit for the period	-	-	-	-	-	-	36,110	36,110
Exchange differences arising on translation of foreign operations	-	-	(241)	-	-	-	-	(241)
Total comprehensive income for the period	-	-	(241)	-	-	-	36,110	35,869
Issue of shares on exercise of share options	13	398	-	-	-	(169)	-	242
Recognition of equity-settled share-based payments	-	-	-	-	-	451	-	451
Share options lapsed/cancelled	-	-	-	-	-	(241)	241	-
At 30th September, 2014	<u>23,166</u>	<u>187,410</u>	<u>(1,700)</u>	<u>2,266</u>	<u>181</u>	<u>801</u>	<u>479,665</u>	<u>691,789</u>
At 1st April, 2013 (audited)	<u>22,203</u>	<u>165,310</u>	<u>(2,094)</u>	<u>2,266</u>	<u>181</u>	<u>1,537</u>	<u>432,189</u>	<u>621,592</u>
Profit for the period	-	-	-	-	-	-	15,412	15,412
Exchange differences arising on translation of foreign operations	-	-	524	-	-	-	-	524
Total comprehensive income for the period	-	-	524	-	-	-	15,412	15,936
Issue of shares on exercise of share options	6	184	-	-	-	(78)	-	112
Recognition of equity-settled share-based payments	-	-	-	-	-	5	-	5
At 30th September, 2013	<u>22,209</u>	<u>165,494</u>	<u>(1,570)</u>	<u>2,266</u>	<u>181</u>	<u>1,464</u>	<u>447,601</u>	<u>637,645</u>

Note: The statutory reserves of the Group comprise the aggregate of:

- (a) reserves required by the relevant laws of the People's Republic of China (the "PRC") applicable to the Company's PRC subsidiaries and are appropriated at directors' discretion, which are complied with Articles of Association of respective PRC subsidiaries; and
- (b) non-distributable reserves set aside by the Macau subsidiaries in accordance with relevant statutory requirements.



NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30th September, 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2014.

Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amounts Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



3. SEGMENT INFORMATION

Operating Segments

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segment have been aggregated in arriving at the reporting segments of the Group as identified by the chief operating decision makers.

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are Fashion and Cosmetics, of which principal activities are as follows:

- Fashion – Manufacture and sales of ladies fashion
- Cosmetics – Sales of cosmetics

SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Unaudited six months ended 30th September, 2014				
	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	244,071	618,286	862,357	–	862,357
Inter-segment sales	66	–	66	(66)	–
	<u>244,137</u>	<u>618,286</u>	<u>862,423</u>	<u>(66)</u>	<u>862,357</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>7,973</u>	<u>37,191</u>	<u>45,164</u>	–	45,164
Other income, gains and losses					346
Central administration costs					(2,628)
Finance costs					(1,210)
Profit before tax					<u>41,672</u>



3. **SEGMENT INFORMATION** (Continued)
Operating Segments (Continued)
SEGMENT REVENUE AND RESULTS (Continued)

	Unaudited six months ended 30th September, 2013				
	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	262,838	457,319	720,157	–	720,157
Inter-segment sales	27	–	27	(27)	–
	<u>262,865</u>	<u>457,319</u>	<u>720,184</u>	<u>(27)</u>	<u>720,157</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>1,352</u>	<u>20,920</u>	<u>22,272</u>	–	22,272
Other income, gains and losses					308
Central administration costs					(2,657)
Finance costs					(904)
Profit before tax					<u>19,019</u>

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit or regularly reviewed by the chief operating decision makers:

	Unaudited six months ended 30th September, 2014				
	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
Capital expenditure	7,709	14,290	21,999	–	21,999
Depreciation of property, plant and equipment	<u>9,015</u>	<u>9,873</u>	<u>18,888</u>	<u>1,244</u>	<u>20,132</u>



3. **SEGMENT INFORMATION** (Continued)
Operating Segments (Continued)
OTHER SEGMENT INFORMATION (Continued)

	Unaudited six months ended 30th September, 2013				
	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
Capital expenditure	6,997	11,335	18,332	20	18,352
Depreciation of property, plant and equipment	9,139	8,613	17,752	1,262	19,014

4. **INCOME TAX EXPENSE**

Six months ended
30th September,
2014 2013
(Unaudited) (Unaudited)
HK\$'000 **HK\$'000**

The expense comprises:

Profits tax		
Hong Kong Profits Tax	4,028	2,166
Other jurisdictions	642	(271)
Deferred tax	892	1,712
	5,562	3,607

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



5. PROFIT FOR THE PERIOD

Six months ended
30th September,
2014 2013
(Unaudited) (Unaudited)
HK\$'000 **HK\$'000**

Profit for the period has been arrived at after charging:

Amortisation of prepaid lease payments	132	133
Depreciation of property, plant and equipment	20,132	19,014
Loss on disposal of property, plant and equipment	274	572
	20,538	19,719

and after crediting:

Bank interest income	303	224
Interest income from certificate of deposit	–	43
Net exchange gain	3,964	1,144
Rental income from investment properties	43	41
	4,310	2,452

6. DIVIDENDS

Six months ended
30th September,
2014 2013
(Unaudited) (Unaudited)
HK\$'000 **HK\$'000**

Dividends recognised as distribution during the period:

2014 final dividend of HK0.9 cent (2013: HK0.9 cent) per share	20,850	19,989
	20,850	19,989

The 2014 final dividend of HK0.9 cent per share in cash with a scrip option has been approved in the annual general meeting held on 29th August, 2014. HK\$3,711,000 cash dividend has been paid and 65,218,038 scrip shares have been allotted and issued on 23rd October, 2014.



7. EARNINGS PER SHARE

	Six months ended 30th September, 2014	
	2014	2013
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period and earnings for the purpose of basic and diluted earnings per share	HK\$36,110,000	HK\$15,412,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,316,537,410	2,220,614,854
Effect of dilutive potential ordinary shares:		
Share options	4,890,357	2,082,946
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,321,427,767	2,222,697,800

8. TRADE AND OTHER RECEIVABLES

At 30th September, 2014, included in the Group's trade and other receivables were trade receivables of HK\$33,050,000 (31st March, 2014: HK\$36,150,000). The Group allows a 30 to 60 days credit period for receivables from sales counters and a credit period of 60 to 120 days to its wholesale customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30th September, 2014	31st March, 2014
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	13,056	13,713
31 – 60 days	1,661	3,718
61 – 90 days	368	1,320
Over 90 days	17,965	17,399
	33,050	36,150



9. TRADE AND OTHER PAYABLES

At 30th September, 2014, included in the Group's trade and other payables were trade payables of HK\$33,849,000 (31st March, 2014: HK\$27,433,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	30th September, 2014 (Unaudited) HK\$'000	31st March, 2014 (Audited) HK\$'000
Within 30 days	19,449	20,576
31 – 60 days	4,990	2,047
61 – 90 days	2,815	1,843
Over 90 days	6,595	2,967
	33,849	27,433

10. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st April, 2014 and 30th September, 2014	10,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2013	2,220,347,641	22,203
Issue of new shares in lieu of cash dividends (<i>Note i</i>)	84,718,731	847
Exercise of share options (<i>Note ii</i>)	10,300,000	103
At 31st March, 2014	2,315,366,372	23,153
Exercise of share options (<i>Note iii</i>)	1,300,000	13
30th September, 2014	2,316,666,372	23,166



10. SHARE CAPITAL (Continued)

Notes:

- (i) On 23rd October, 2013, Company issued and allotted a total of 84,718,731 ordinary shares of HK\$0.01 each at HK\$0.23 per share, in lieu of cash for the 2013 final dividend.
- (ii) During the year ended 31st March, 2014, 800,000 and 9,500,000 share options were exercised at HK\$0.1562 and HK\$0.1860 per share, respectively, resulting in issue of a total of 10,300,000 ordinary shares of HK\$0.01 each in the Company.
- (iii) During the period ended 30th September, 2014, 1,300,000 share options were exercised at HK\$0.1860 per share, resulting in issue of 1,300,000 ordinary shares of HK\$0.01 each in the Company.

11. OPERATING LEASES
The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30th September, 2014 (Unaudited) HK\$'000	31st March, 2014 (Audited) HK\$'000
Within one year	312,002	277,716
In the second to fifth year inclusive	318,526	264,175
	<u>630,528</u>	<u>541,891</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 stores.



11. OPERATING LEASES *(Continued)*

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30th September, 2014 (Unaudited) HK\$'000	31st March, 2014 (Audited) HK\$'000
Within one year	69	23

12. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to certain banks to secure general banking facilities granted to the Group:

	30th September, 2014 (Unaudited) HK\$'000	31st March, 2014 (Audited) HK\$'000
Investment properties	1,840	1,840
Leasehold land and buildings	47,581	48,795
Pledged bank deposits	6,582	6,500
	56,003	57,135



INTERIM DIVIDEND

At the Board Meeting held on 20th November, 2014, the Board has resolved to declare the payment of an interim dividend of HK0.70 cent (2014: HK0.50 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2015. The interim dividend will be payable on or about Thursday, 29th January, 2015, to the shareholders whose names appeared on the register of members of the Company on Friday, 19th December, 2014.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to the interim dividend for the year ending 31st March, 2015, the register of members of the Company will be closed from Wednesday, 17th December, 2014 to Friday, 19th December, 2014 (both days inclusive) during which period no transfer of shares will be registered. The last day for dealing in shares cum entitlement to the interim dividend for the year ending 31st March, 2015 will be Friday, 12th December, 2014. Shareholders are reminded that in order to qualify for the entitlement of the interim dividend for the year ending 31st March, 2015, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16th December, 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th September, 2014, the Group recorded a turnover of HK\$862,357,000 (2013: HK\$720,157,000), representing an increase of 19.7% as compared with the corresponding period of last year. Included in the amount of turnover was HK\$618,286,000 (2013: HK\$457,319,000) generated by the cosmetics business, representing an increase of 35.2% over the same period last year and accounting for 71.7% (2013: 63.5%) of the Group's total turnover. Turnover of the fashion business reached HK\$244,071,000 (2013: HK\$262,838,000), representing a decrease of 7.1% as compared with the same period in the preceding year. The gross profit margin of the fashion business was 71.7%, representing an increase of 3.5 percentage points as compared with 68.2% for the corresponding period of last year. The gross profit margin of the cosmetics business for the period was 35.8%, representing a decrease of 1.4 percentage points as compared with 37.2% for the corresponding period of last year. Profit attributable to shareholders for the period amounted to HK\$36,110,000 (2013: HK\$15,412,000), representing a significant increase of 134.3% as compared with the corresponding period of last year. One of the reasons was that the cosmetics business recorded a segment profit of HK\$37,191,000 for the current period, representing a significant increase of 77.8% over that for the same period last year, which was HK\$20,920,000. The fashion business recorded a segment profit of HK\$7,973,000 for the current period, representing a significant increase of 489.7% as compared to that of HK\$1,352,000 for the same period last year, mainly attributable to the significant improvement in the performance of overseas markets as compared to the same period last year.

Cosmetics Business

As of 30th September, 2014, the Group had established 76 **Colourmix** stores (30th September, 2013: 70 stores), of which 70 stores were situated in Hong Kong, 4 stores were situated in Macau and 2 stores were situated in China. For the period under review, cosmetics retail business recorded a turnover of HK\$618,286,000 (30th September, 2013: HK\$457,319,000), representing an increase of 35.2%, and accounting for 71.7% of the total turnover of the Group. The turnover and number of transactions of comparable stores also increased by 23.6% and 12% respectively over the same period last year. The gross profit margin of cosmetics business for the period was 35.8%, representing a decrease of 1.4 percentage points as compared to 37.2% of the same period last year. The cosmetics business recorded a segment profit of HK\$37,191,000 during the period, which represented a significant increase of 77.8% when compared with that of HK\$20,920,000 for the same period last year, and the cosmetics business contributed materially to the Group's results.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)* **Cosmetics Business** *(Continued)*

This year was the tenth anniversary since October 2004 when the Group commenced its cosmetics retail chain business by establishing its first **Colourmix** store. After aggressive expansion over the past decade, our retail network has evenly covered all major shopping malls and tourist areas in Hong Kong and Macau. With prime and competitive locations, **Colourmix** was gradually recognized in the market. As of 30th September, 2014, the Group had established 76 **Colourmix** stores. Over the decade, the Group has also continued to improve its store image by renovating existing stores with new designs. As a result, the market position and image of **Colourmix** stores have been continuously uplifted and have become popular among mainland tourists in general. As regard to merchandise, through the retail network with economies of scale, our procurement capability was enhanced. The Group has been successful in obtaining the sole distributorship of a number of well-known and quality brands in Europe and in Southeast Asia. The product portfolio which is constantly being enriched and the addition of trendy cosmetics products have been well received by the customers. During the period under review, the turnover of products with exclusive distributorship steadily increased by 27.8% over the same period last year. In addition, since June 2013, the Group has strengthened the use of computer information management to uplift operational efficiency through automation and systemization in areas including operational workflow, inventory planning and resource management. Inventory deployments were perfected in which the deployment of inventory and adjustment of product mix became more responsive to market situation. Operational efficiency was further uplifted, resulting in a decrease of 12 in the number of saleable days for inventories during the period under review over the same period last year. In terms of human resources, the Group has been providing its front-line staff with training for services and product knowledge over the years, with a view to provide quality and professional sales services to customers. In view of the above factors, the sales for the period under review increased by 35.2% year on year and the sales of comparable stores also recorded a 23.6% growth. During the period, cosmetics business has recorded a segment profit of HK\$37,191,000, representing a substantial growth of 77.8% as compared with the same period last year.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Fashion Business

As of 30th September, 2014, the Group had altogether 174 fashion stores in Hong Kong, Macau, Taiwan, Singapore and Mainland China (30th September, 2013: 201 stores). The main reason for the decrease in number of stores as compared to the same period last year was that the Group has restructured its retail network in China and Taiwan markets during the period by closing down some underperforming stores so as to enhance operation efficiency. In fact, this improved the performance of overseas markets during the period and reduced the negative impact on the overall performance of fashion business. As a result, the fashion business for the period not only recorded a growth in the turnover of comparable stores as a whole as compared with the same period last year, but also the gross margin for this business increased to 71.7% for the current period from 68.2% for the same period last year. Fashion business recorded a segment profit of HK\$7,973,000, representing a substantial growth of 489.7% as compared with that of HK\$1,352,000 for the same period last year.

Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 72.7% of the total turnover of fashion business of the Group. For the six months ended 30th September, 2014, turnover from the Hong Kong and Macau market amounted to HK\$177,513,000 (2013: HK\$180,173,000), representing a slight decrease of 1.5% over the same period last year, mainly due to the promotion in Hong Kong and Macau market of the slow-moving goods from Taiwan market for the same period last year, while no such promotion for the current period, resulting in a slight decrease in the overall turnover year on year. Despite this, the gross profit margin increased by 2.2 percentage points to 73.5% as compared to that for the same period last year and the turnover of comparable stores grew by 7.0% during the period. As of 30th September, 2014, the Group had altogether 79 stores in Hong Kong and Macau (30th September, 2013: 79 stores).



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Fashion Business – Taiwan Market

Turnover of the retail business in Taiwan for the first half of the financial year was HK\$24,382,000 (2013: HK\$28,630,000), representing a decrease of 14.8% over the same period last year. As of 30th September, 2014, the Group had 31 stores in Taiwan (30th September, 2013: 38 stores). During the period, in order to mitigate the negative impact on the performance of fashion business as a whole, the Group continued to close down the underperforming stores. As a result of this, in fact, the performance was improved in Taiwan during the period, with not only an increased gross profit margin but also a 6.2% growth in the turnover of comparable stores in local currency terms as compared to the same period of last year.

Fashion Business – Singapore Market

During the first half of the financial year, turnover of the retail business in Singapore slightly decreased by 0.2% over the same period last year to HK\$22,834,000 (2013: HK\$22,887,000). As of 30th September, 2014, the Group had 13 stores in Singapore (30th September, 2013: 14 stores). During the period, the turnover of comparable stores increased by 8.3% in local currency terms in Singapore market.

Fashion Business – China Market

During the period under review, turnover of the China market amounted to HK\$19,342,000 (30 September, 2013: HK\$31,148,000), representing a decrease of 37.9% over the same period last year, primarily due to the decreased number of stores. As of 30th September, 2014, the number of **Veeko** and **Wanko** stores of the Group in China was 51 (30th September, 2013: 70 stores).



PROSPECTS

The Group expects that the challenges faced by the retail business will continue, with cautious consumption sentiments. The management will closely monitor various factors in the market which contribute to fluctuations and uncertainties and take appropriate measures in response. The Group will remain to be prudent in financial and operational management with stringent costs control and strengthened inventory management to lower inventory costs and enhance inventory efficiency. Looking forward, as cosmetics and skin care products have become the daily necessities of consumers, our cosmetics business will be more resilient to adverse market conditions, and will remain to be the main source of revenue and growth engine of the Group. The Group will continue to enrich the product portfolio, increase trendy beauty products with exclusive distributorship, conduct staff trainings on professional quality services, and step up internal consolidation. It will continue to expand store network at existing pace. Regarding the fashion retail business, the Hong Kong and Macau market accounted for 72.7% of the total turnover of fashion business of the Group. In light of the outstanding performance in sales growth and gross profit margin of Hong Kong and Macau market as compared with other overseas markets, the Group will continue to develop the Hong Kong market in a pragmatic approach in the future. In view of increasing rentals and production costs, the Group will identify prime locations with competitive rents for the setting up of new stores. It will also focus on product design and offer popular products with higher margins to enhance brand value. In fact, during the period, in addition to the Group's own designed and manufactured garments, the Group also increased the proportion of handbags and other accessories, enabling product diversification in the stores for the attraction of the customers. In the overseas markets, the Group will continue to be cautious and will closely monitor the market situation. The Group will not only focus on uplifting the efficiency of existing stores, but also continue to integrate the underperforming stores in mainland China and Taiwan so as to redeploy resources to improve productivity.

The Group is prudently optimistic about its future development and believes that opportunities exist alongside with challenges. In an environment which is full of challenges, the best policy is to uplift our competitiveness and lay a good foundation for sustainable growth in the future by maintaining healthy growth of the core business in the long run. During the period from 1st October, 2014 to 16th November, 2014, sales of the cosmetics business increased by approximately 53% year on year, and the sales of comparable stores also recorded a satisfactory increase of approximately 34%. For the fashion business in Hong Kong and Macau, the sales during the same period increased by approximately 4% year on year, and the sales of comparable stores recorded an increase of approximately 13%. Under the current trend, the Group believes that cosmetics and fashion, the two core business areas, will bring in further profits in the year 2014/2015.



LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK\$446,333,000 as at 31st March, 2014 to HK\$476,482,000 for the period end.

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong Dollar and Renminbi), amounted to HK\$97,043,000 (31st March, 2014: HK\$97,779,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$119,067,000 (31st March, 2014: HK\$101,794,000). The increase in the bank borrowings was mainly attributable to the continuous expansion of cosmetics retail network and opening of fashion stores in Hong Kong. During the period, the net increase in number of cosmetics stores and fashion stores in Hong Kong was 6 and 1 respectively. The borrowings were mainly used for renovation of newly opened stores, payment of rental deposits, cosmetics stock purchases and investing resources in information system to enhance automation of operating process.

At the end of the reporting period, the current ratio was 3.35 times (31st March, 2014: 3.71 times) and the gearing ratio of the Group was 0.17 (31st March, 2014: 0.16) which was calculated based on the Group's total borrowings of HK\$119,067,000 (31st March, 2014: HK\$101,794,000) and the total equity of HK\$691,789,000 (31st March, 2014: HK\$655,227,000).

At 30th September, 2014, the Group had banking facilities amounting to HK\$220,742,000 (31st March, 2014: HK\$235,215,000), of which HK\$170,254,000 (31st March, 2014: HK\$143,235,000) 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.



FOREIGN EXCHANGE EXPOSURE

Several subsidiaries of the Company have foreign currency purchases (mainly in United States Dollar and Euro), which expose the Group to foreign currency risk. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency risk by entering into forward contracts should the need arises.

PLEDGE OF ASSETS

At the end of the reporting period, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK\$56,003,000 (31st March, 2014: HK\$57,135,000).

CONTINGENT LIABILITIES

At 30th September, 2014, the Company had provided guarantees of HK\$248,130,000 (31st March, 2014: HK\$254,192,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company of which HK\$170,254,000 (31st March, 2014: HK\$143,235,000) was utilised by the subsidiaries.

STAFF AND REMUNERATION POLICIES

At 30th September, 2014, the Group had 2,496 employees (31st March, 2014: 2,742). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performances. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and incentive to enhance their loyalty to the Group.



SHARE OPTION SCHEME

No options were granted to the directors or substantial shareholders of the Company during the period or outstanding under the share option schemes.

The following table discloses details of options held by employees of the Group and movements in such holdings during the period ended 30th September, 2014:

Date of grant	Vesting period	Exercisable period	Exercise price per share	Balance at 1.4.2014	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	Outstanding at 30.9.2014
2003 Scheme								
4th June, 2007	4th June, 2007 to 3rd June, 2012	4th June, 2012 to 3rd June, 2014	HK\$0.186	2,100,000	-	(800,000)	(1,300,000)	-
2013 Scheme								
7th October, 2013 (Batch 1)	7th October, 2013 to 6th October, 2016	7th October, 2016 to 6th October, 2018	HK\$0.225	18,240,000	-	(200,000)	-	18,040,000
7th October, 2013 (Batch 2)	7th October, 2013 to 6th October, 2018	7th October, 2018 to 6th October, 2020	HK\$0.225	18,240,000	-	(200,000)	-	18,040,000
7th October, 2013 (Batch 3)	7th October, 2013 to 30th November, 2014	1st December, 2014 to 31st March, 2015	HK\$0.225	7,000,000	-	-	-	7,000,000
7th October, 2013 (Batch 4)	7th October, 2013 to 30th November, 2015	1st December, 2015 to 22nd September, 2016	HK\$0.225	7,000,000	-	(7,000,000)	-	-
7th October, 2013 (Batch 5)	7th October, 2013 to 31st August, 2016	1st September, 2016 to 22nd September, 2016	HK\$0.225	8,000,000	-	(8,000,000)	-	-
25th April, 2014 (Batch 6)	25th April, 2014 to 24th April, 2017	25th April, 2017 to 24th April, 2019	HK\$0.300	-	5,600,000	(1,140,000)	-	4,460,000
25th April, 2014 (Batch 7)	25th April, 2014 to 24th April, 2019	25th April, 2019 to 24th April, 2021	HK\$0.300	-	5,600,000	(1,140,000)	-	4,460,000
				60,580,000	11,200,000	(18,480,000)	(1,300,000)	52,000,000

In respect of the share options exercised during the period ended 30th September, 2014, the weighted average share price on the dates of exercise is HK\$0.297 (2013: HK\$0.227).



SHARE OPTION SCHEME *(Continued)*

During the period ended 30th September, 2014, options were granted on 25th April, 2014. The estimated fair values of the options granted on that date were:

Date of grant	<i>HK\$</i>
25th April, 2014 (Batch 6)	0.079
25th April, 2014 (Batch 7)	0.088

In respect of share options granted on 25th April, 2014, the fair values were calculated using the Black-Scholes option pricing model (the "Black-Scholes Model"). The inputs into the model were as follows:

	(Batch 6)	(Batch 7)
Number of options granted	5,600,000	5,600,000
Share price	HK\$0.300	HK\$0.300
Exercise price	HK\$0.300	HK\$0.300
Expected volatility	50.88%	54.76%
Expected life	5 years	7 years
Risk-free rate	1.420%	1.750%
Expected dividend yield	6.313%	6.313%

Expected volatility was determined by using the historical volatility of the Company's share price over past 5 to 7 years up to valuation date.

The Black-Scholes Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.



DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2014, the interests of the directors and chief executive officer and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Chung Man, Johnny	Founder	1,264,937,975 (Note)	54.60%
	Beneficial owner	<u>168,003,953</u>	<u>7.25%</u>
		<u><u>1,432,941,928</u></u>	<u><u>61.85%</u></u>
Ms. Lam Yuk Sum (Chief Executive Officer)	Beneficiary of Trust	1,264,937,975 (Note)	54.60%
	Beneficial owner	<u>245,132,515</u>	<u>10.58%</u>
		<u><u>1,510,070,490</u></u>	<u><u>65.18%</u></u>

Note: These 1,264,937,975 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.



DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Other than disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors, chief executive officer nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as at 30th September, 2014, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

Other than disclosed above under the section headed "Directors' and Chief Executive Officer's Interests in Shares, Underlying Shares and Debentures" and other substantial shareholders' interests disclosed in the following table, at 30th September, 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Silver Crown	Beneficial owner	1,264,937,975	54.60%
Well Feel Group Limited	Interest of a controlled corporation <i>(Note)</i>	1,264,937,975	54.60%
HSBC International Trustee Limited	Trustee <i>(Note)</i>	1,264,937,975	54.60%

Note: The entire issued share capital of Silver Crown was held by Well Feel Group Limited which in turn was a wholly-owned subsidiary of HSBC International Trustee Limited. By virtue of the provisions of Part XV of the SFO, each of Well Feel Group Limited and HSBC International Trustee Limited was deemed to be interested in all the shares of the Company in which Silver Crown was interested.



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

During the six months ended 30th September, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with all the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries, all of the directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30th September, 2014.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2014 have been reviewed by the Audit Committee. The Audit Committee comprises all the three independent non-executive directors.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt thanks to all the employees for their devotion, contribution and diligence and my deepest gratitude to all the shareholders, customers, suppliers and business partners for their continuous support. I sincerely hope that all of you will continue to contribute to the success of the Group.

On behalf of the Board
Veeko International Holdings Limited
Cheng Chung Man, Johnny
Chairman

Hong Kong, 20th November, 2014





Veeko®

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Listed on The Main Board of The Stock Exchange of Hong Kong Limited

香港聯合交易所有限公司主板上市公司

Stock Code 股份代號: 1173