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Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED
威高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1173)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31ST MARCH, 2013

AUDITED RESULTS

The board of directors (the "Directors") of Veeko International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2013 together with the comparative figures for the previous corresponding year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000* (restated)
Turnover	3	**1,408,624**	1,279,537
Cost of goods sold		**(733,663)**	(621,365)
Gross profit		**674,961**	658,172
Selling and distribution costs		**(523,564)**	(490,891)
Administrative expenses		**(111,568)**	(110,015)
Other income, gains and losses		**22,939**	10,295
Increase in fair values of investment properties		**5,650**	3,100
Finance costs		**(1,699)**	(1,342)
Profit before tax		**66,719**	69,319
Income tax expense	4	**(12,478)**	(8,402)
Profit for the year	5	**54,241**	60,917

	Note	2013 HK$'000	2012 HK$'000 (restated)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**468**	1,763
Reclassification of exchange differences upon dissolution of a subsidiary		**–**	(2,037)
Other comprehensive income (expense) for the year		**468**	(274)
Total comprehensive income for the year		**54,709**	60,643
Earnings per share	7		
– basic		**HK2.444 cents**	HK2.804 cents
– diluted		**HK2.442 cents**	HK2.794 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
			(restated)
Non-current Assets			
Investment properties		**1,760**	24,610
Property, plant and equipment		**153,815**	141,197
Prepaid lease payments		**8,246**	14,558
Rental deposits paid		**56,534**	49,231
Deferred tax assets		**8,604**	7,536
Certificate of deposit		**6,253**	6,176
		235,212	243,308
Current Assets			
Inventories		**357,588**	299,472
Trade and other receivables	8	**62,597**	50,891
Prepaid lease payments		**262**	446
Rental and utility deposits paid		**36,230**	34,309
Pledged bank deposits		**6,500**	1,235
Bank balances, deposits and cash		**83,171**	106,178
		546,348	492,531
Current Liabilities			
Trade and other payables	9	**75,946**	68,744
Rental deposits received		**11**	8
Secured bank borrowings			
– due within one year		**75,072**	57,596
Obligation under a finance lease			
– due within one year		**105**	296
Tax payable		**2,448**	6,179
		153,582	132,823
Net Current Assets		**392,766**	359,708
		627,978	603,016

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Capital and Reserves		
Share capital	**22,203**	22,191
Reserves	**599,389**	575,489
	621,592	597,680
Non-current Liabilities		
Secured bank borrowings		
– due after one year	**1,152**	3,720
Obligation under a finance lease		
– due after one year	**–**	105
Deferred tax liabilities	**5,234**	1,511
	6,386	5,336
	627,978	603,016

Notes:

1. BASIS OF PREPARATION

The audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets;
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax: Recover of Underlying Assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$2,244,000 as at 1st April, 2011, with the corresponding credit being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by HK$2,755,000 as at 31st March, 2012.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties up till the date of transfer to property, plant and equipment. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31st March, 2013 and 31st March, 2012 being reduced by HK$932,000 and HK$511,000, respectively, and hence resulted in profit for the years ended 31st March, 2013 and 31st March, 2012 being increased by HK$932,000 and HK$511,000, respectively.

On 1st January, 2013, an investment property was transferred to property, plant and equipment at a fair value of HK$28,500,000 at the date of transfer, which is the deemed cost of the property, upon the commencement of owner-occupation. Upon the change in intention of usage of the property, the directors are in the opinion that all of the economic benefits embodied in this property will be consumed substantially over its estimated useful life through use. As the entire carrying amount of the property was presumed to be recovered through sale upon the application of the amendments of HKAS 12, and hence no deferred tax has been provided for changes in fair value of the Group's investment properties, upon the change of intention, deferred tax on changes in fair value of the property is recognised as at the date of transfer. The transfer of investment property to property, plant and equipment has resulted in the Group's income tax expense for the year ended 31st March, 2013 being increased by HK$3,475,000, and hence resulted in profit for the year ended 31st March, 2013 being reduced by HK$3,475,000.

Amendments to HKAS 1 "Presentation of Financial Statements" (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is "Annual Improvements to HKFRSs (2009-2011 Cycle)". The effective date of these amendments is annual periods beginning on or after 1st January, 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1st January, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" for the first time. In the opinion of the directors of the Company, the retrospective application of amendments to HKAS 12 does not have a material effect on the information in the opening statement of financial position other than as disclosed in this note and accordingly, the Group has not presented a third statement of financial position as at 1st April, 2011.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2013	2012
	HK$'000	*HK$'000*
Increase (decrease) in income tax expense and decrease (increase) in profit for the year	**2,543**	(511)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st April, 2011 and 31st March, 2012 is as follows:

	1.4.2011 (originally stated)	Adjustments	1.4.2011 (restated)	31.3.2012 (originally stated)	Adjustments	31.3.2012 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax liabilities	(4,660)	2,244	(2,416)	(4,266)	2,755	(1,511)
Retained profits	379,668	2,244	381,912	405,745	2,755	408,500

The effects of the above changes in accounting policies on the financial positions of the Group as at 31st March, 2013 is as follows:

	31.3.2013
	HK$'000
Decrease in deferred tax liabilities and increase in net assets	**212**
Increase in retained profits	**212**

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2013	2012	**2013**	2012
	HK cents	*HK cents*	***HK cents***	*HK cents*
Figures before adjustments	**2.559**	2.780	**2.557**	2.771
– adjustments arising from changes in the Group's accounting policies in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**0.042**	0.024	**0.042**	0.023
– adjustments arising from transfer of an investment property to property, plant and equipment in respect of deferred taxes on temporary difference	**(0.157)**	–	**(0.157)**	–
Figures after adjustments	**2.444**	2.804	**2.442**	2.794

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments HKAS 1 [1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities [2]
HKFRS 9	Financial Instruments [3]
HKFRS 10	Consolidated Financial Statements [1]
HKFRS 11	Joint Arrangements [1]
HKFRS 12	Disclosure of Interests in Other Entities [1]
HKFRS 13	Fair Value Measurement [1]
HKAS 19 (as revised in 2011)	Employee Benefits [1]
HKAS 27 (as revised in 2011)	Separate Financial Statements [1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [1]

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2014.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st July, 2012.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 also retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1st April, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the fair value of amounts received and receivable for goods sold in the normal course of business, net of discounts, returns, allowances and sales related taxes, by the Group to outside customers during the year.

(a) Operating segments

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

The Group's reportable and operating segments under HKFRS 8 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.

For the year ended 31st March, 2013

	Fashion *HK$'000*	**Cosmetics** *HK$'000*	**Segment Total** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER					
External sales	**575,826**	**832,798**	**1,408,624**	**–**	**1,408,624**
Inter-segment sales	**107**	**–**	**107**	**(107)**	**–**
	575,933	**832,798**	**1,408,731**	**(107)**	**1,408,624**

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	**14,406**	**32,975**	**47,381**	**–**	**47,381**
Increase in fair values of investment properties					**5,650**
Other income, gains and losses					**19,751**
Central administration costs					**(4,364)**
Finance costs					**(1,699)**
Profit before tax					**66,719**

For the year ended 31st March, 2012

	Fashion	Cosmetics	Segment Total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
External sales	592,127	687,410	1,279,537	–	1,279,537
Inter-segment sales	244	–	244	(244)	–
	592,371	687,410	1,279,781	(244)	1,279,537

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	35,465	35,537	71,002	–	71,002
Increase in fair values of investment properties					3,100
Other income, gains and losses					892
Central administration costs					(4,333)
Finance costs					(1,342)
Profit before tax					69,319

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit before tax earned by each segment without allocation of increase in fair values of investment properties, certain other income, gains and losses, central administration costs and finance costs. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

No analysis of segment assets and segment liabilities is presented as the executive directors do not review such information for the purposes of resource allocation and performance assessment.

(b) Geographical information

The Group's operations are principally located in Hong Kong and Macau, Taiwan, Singapore and other regions of the People's Republic of China ("PRC"). Information about the Group's revenue from external customers is presented based on the geographical location of operations.

	2013	2012
	HK$'000	*HK$'000*
Hong Kong and Macau	**1,210,889**	1,060,107
Taiwan	**80,218**	90,843
Singapore	**50,298**	54,169
Other regions of the PRC	**67,219**	74,418
	1,408,624	1,279,537

No revenue from a customer of the Group contributed over 10% of the total turnover of the Group of the corresponding years.

4. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
		(restated)
The charge comprises:		
Hong Kong Profits Tax		
Current year	**6,447**	7,635
Overprovision in prior years	**(61)**	(237)
	6,386	7,398
Income tax in other jurisdictions		
Current year	**4,738**	2,124
Overprovision in prior years	**(1,272)**	(630)
PRC withholding tax	**–**	779
	3,466	2,273
Deferred tax		
Current year	**2,626**	(1,269)
	12,478	8,402

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	**257,297**	244,845
Share-based payments	**72**	406
Retirement benefits scheme contributions	**12,077**	10,821
	269,446	256,072
Amortisation of prepaid lease payments	**399**	439
Auditors' remuneration	**2,018**	2,075
Cost of inventories recognised as expenses *(Note 1)*	**733,663**	621,365
Depreciation of property, plant and equipment	**34,018**	33,463
Bank interest income	**(426)**	(511)
Interest income from certificate of deposit	**(84)**	(35)
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments, net (included in other income, gains and losses) *(Note 2)*	**(17,738)**	1,023
Gain on dissolution of a subsidiary (included in other income, gains and losses)	**–**	(2,037)
Net exchange gain (included in other income, gains and losses)	**(2,500)**	(6,041)
Rental income from investment properties, with negligible outgoings	**(74)**	(72)

Note 1: Cost of inventories recognised as expenses included reversal of allowance for inventories of HK$1,149,000 (2012: allowance for inventories HK$1,722,000).

Note 2: During the year ended 31st March, 2013, Shantou Huanan Digao Fashion Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Shantou Special Economic Zone Banbo Woolen Company Limited, an independent third party, to dispose of a factory located at Unit 7, Zhujin First Street, Zhujin Industrial Zone, Longhu District, Shantou City, the PRC ("Property") at a cash consideration of RMB39,000,000 (equivalent to approximately HK$48,750,000). The gain on disposal of the Property is HK$19,159,000, which is included in other income, gains and losses.

6. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2013 interim dividend of HK0.5 cent (2012: 2012 interim dividend of HK0.6 cent) per share	**11,096**	15,404
2012 final dividend of HK0.9 cent (2012: 2011 final dividend of HK1.1 cents) per share	**19,972**	23,812
	31,068	39,216

In respect of the 2012 interim dividend, scrip dividends were offered and were accepted by the majority of shareholders as follows:

	2013	**2012**	2012	2011
	Interim	**Final**	Interim	Final
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Dividends:				
Cash	**11,096**	**19,972**	2,465	23,812
Scrip alternative	**–**	**–**	12,939	–
	11,096	**19,972**	15,404	23,812

The 2013 final dividend of HK0.9 cent per share totalling HK$19,986,000 in cash with a scrip option has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit for the year of HK$54,241,000 (2012: HK$60,917,000 (restated)) and on the weighted average number of ordinary shares of the Company set out below.

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,219,343,805**	2,172,492,967
Effect of dilutive potential ordinary shares:		
Share options	**1,428,671**	7,711,397
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,220,772,476**	2,180,204,364

8. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**45,228**	39,523
Other receivables	**17,369**	11,368
	62,597	50,891

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:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**24,047**	19,001
31 – 60 days	**7,618**	5,741
61 – 90 days	**1,450**	1,150
Over 90 days	**12,113**	13,631
	45,228	39,523

Before accepting any new wholesale customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customer. Credit sales are made to customers with a satisfactory and trustworthy credit history. Credit limits attributed to customers are reviewed regularly. At the end of the reporting period, 91% (2012: 88%) of the trade receivables are neither past due nor impaired. In the opinion of the directors, the trade receivables are of good credit quality and those debtors did not have any default payment history.

9. TRADE AND OTHER PAYABLES

At 31st March, 2013, included in the Group's trade and other payables were trade payables of HK$32,095,000 (2012: HK$22,148,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**15,581**	9,194
31 – 60 days	**4,558**	5,865
61 – 90 days	**7,312**	1,432
Over 90 days	**4,644**	5,657
	32,095	22,148

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.9 cent (2012: HK0.9 cent) per share (each a "Share") of HK$0.01 each of the Company in respect of the year ended 31st March, 2013 to shareholders whose names appear on the register of members of the Company on 11th September, 2013 and also to recommend the offer to the shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash ("Scrip Dividend Scheme"), subject to the approval of the shareholders on the payment of final dividend at the annual general meeting ("AGM") of the Company and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Shares to be issued pursuant thereto. The said dividend will be paid on or about 23rd October, 2013. Together with the paid interim dividend of HK0.5 cent (2012: HK0.6 cent) per share, the total dividend for the year will be HK1.4 cents (2012: HK1.5 cents) per share.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31st March, 2013.

On condition that the payment of the above final dividend is approved by the shareholders at the AGM of the Company, a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly after the AGM of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As of 31st March, 2013, the Group recorded a turnover of HK$1,408,624,000 (2012: HK$1,279,537,000), representing an increase of 10.1% as compared with the corresponding period last year. Included in the amount of turnover was HK$832,798,000 (2012: HK$687,410,000) generated by the cosmetics business, representing an increase of 21.2% over the same period last year. Turnover of the fashion business reached HK$575,826,000 (2012: HK$592,127,000), representing a decrease of 2.8% as compared with the same period in the preceding year. The gross profit margin of the Group as a whole decreased from 51.4% of last year to 47.9% for the current year, which was mainly due to the increase of cosmetics business sales with relatively lower gross profit margin. Gross profit margin of the fashion business also decreased as compared with last year. Profit for the year attributable to the shareholders was HK$54,241,000 (2012: HK$60,917,000 (restated)), representing a decrease of 11.0% as compared to the same period last year. During the year, the segment results of fashion business recorded a profit of HK$14,406,000, representing a decrease of 59.4% as compared with a profit of HK$35,465,000 for last year. Cosmetics business recorded a segment profit of HK$32,975,000 during the year, representing a decrease of 7.2% as compared with a profit of HK$35,537,000 for last year.

Fashion Business

As of 31st March, 2013, turnover of the fashion business amounted to HK$575,826,000 (2012: HK$592,127,000), representing a decrease of 2.8% over the previous year, and accounting for 40.9% of the Group's total turnover. As for segment results, that of the fashion business recorded a profit of HK$14,406,000, representing a decrease of 59.4% as compared with a profit of HK$35,465,000 of last year, which was mainly due to the unsatisfactory performance of the oversea markets. During the year, the gross profit margin of fashion business decreased from 67.5% of last year to 64.6%, representing a decrease of 2.9 percentage points. This was mainly due to the rise in wages of the production workforce and other production costs. In addition, the Group strengthened its effort on promotion and provided customers with discounts in order to shorten the stock turnover days for the oversea markets, which led to an inevitable drop in gross profit margin.

Fashion Business – Hong Kong and Macau Market

As of 31st March, 2013, the Group had altogether 77 outlets in Hong Kong and Macau (2012: 69 outlets). During the period under review, turnover from the Hong Kong and Macau market amounted to HK$386,968,000 (2012: HK$374,493,000), representing an 3.3% increase over last year and accounted for 67.2% of the total turnover of fashion business of the Group. During the year, the turnover of comparable outlets also recorded an increase of 9%.

Fashion Business – Taiwan Market

Turnover of the retail business in Taiwan for the year was HK$80,128,000 (2012: HK$90,654,000), representing a decrease of 11.6% over the corresponding period last year and amounted to 13.9% of the total turnover of fashion business of the Group. As of 31st March, 2013, the Group had 44 outlets in Taiwan (2012: 47 outlets).

Fashion Business – Singapore Market

During the year, turnover of the retail business in Singapore decreased 7.1% over the same period last year, to HK$50,298,000 (2012: HK$54,169,000), representing 8.8% of the total turnover of fashion business of the Group. As of 31st March, 2013, the Group had 15 outlets in Singapore (2012: 15 outlets).

Fashion Business – China Market

During the period under review, turnover of the China market amounted to HK$58,432,000 (2012: HK$72,811,000), representing a decrease of 19.7% over the corresponding period last year, and accounted for 10.1% of the total turnover of fashion business of the Group. As of 31st March, 2013, the number of ***Veeko*** and ***Wanko*** outlets in China was 71 (2012: 87 outlets).

Cosmetics Business

As of 31st March, 2013, the Group had established 66 ***Colourmix*** cosmetics outlets (2012: 57 outlets), which were mainly situated in Hong Kong, Macau and China. For the year, cosmetics retail business of the Group recorded a turnover of HK$832,798,000 (2012: HK$687,410,000), representing an increase of 21.2% over last year. The turnover of comparable outlets also increased by approximately 7.3% over the corresponding period last year. The gross profit margin of cosmetics business for the year was 36.4%, representing a decrease of 1.2 percentage points as compared to 37.6% of last year. As of 31st March, 2013, the cosmetics business recorded a segment profit of approximately HK$32,975,000, which represented a decrease of 7.2% when compared with that of HK$35,537,000 for the same period last year.

Non-recurring Income

During the period under review, the Group disposed a production facility with an area of approximately 18,888 sq.m. in China to a buyer who is an independent third party for RMB39,000,000 (equivalent to approximately HK$48,750,000) and recorded a non-recurring income of approximately HK$19,159,000. The net proceeds from the disposal after deducting related taxes helped to improve the working capital condition of the Group. In addition, it also further enhanced production effectiveness of the fashion business by making good use of the utilization rate of the existing factory in China.

PROSPECTS

Fashion Business

The Group expects that its retail business will continue to face challenges. Consumption sentiment is still rather prudent and there is continuous fluctuation in the sales of oversea markets which is not expected to bottom out in the short run. Therefore, the Group will exercise prudent strategies on business expansion to oversea markets and keep abreast of market condition by not only putting resources in enhancing the effectiveness of existing retail outlets but also restructuring under-performed outlets in Mainland China and Taiwan so as to integrate resources and increase productivity. Hong Kong and Macau are still the key markets and main income sources for the Group's fashion business and accounted for 67.2% to the total turnover of fashion business during the period under review. In light of the outstanding performance of the sales growth and gross profit margin of Hong Kong and Macau markets as compared with other markets, the Group will continue to develop in Hong Kong market with practical strategies in the future. Due to the increasing rentals and production cost, the Group will identify prime locations with competitive rents to open its outlets and focus on product design and offer popular products that bring relatively higher profits to enhance brand value.

Cosmetics Business

Cosmetics business continued to contribute to the Group's profit and accounted for 59.1% to the total turnover of the Group during the period. It recorded a segment results of profit of HK$32,975,000, representing a decrease of 7.2% as compared with a profit of HK$35,537,000 for the same period of last year. This was because the Group continuously promoted the shop image during the period with a few outlets renovated with new images. In addition to the increase in the amount written off for certain fixed assets, turnover decreased inevitably during the renovation period. Moreover, the Group moved a few of its outlets due to unreasonable rentals increment, which resulted in expenditure for restoration, while depreciation expenses was also increased. The Group believed that the abovementioned were temporary impacts and the turnover of those outlets even recorded a significant increase after renovation, which is favorable to the future development of the business. During the period, gross profit margin of cosmetics business was 36.4%, representing a decrease of 1.2 percentage points as compared with 37.6% for the same period of last year, which seen an improvement as compared with the decrease in gross profit margin for last year.

During the period under review, the Group opened 13 additional ***Colourmix*** outlets and closed 4 outlets. Over the past two years, as the Group has been expanding its retail network by opening over 10 outlets each year on average. The Group needs to deploy experienced staff to support the newly opened outlets, and made special adjustments in inventory planning to cope with such rapid increase. The Group is confident that the cosmetics business will achieve improvement after such consolidation stage. Currently, sales of exclusively distributed branded products accounted for about 38% of total sales of the cosmetics business. In the future, the Group will keep on enriching the product portfolio, increasing the variety of cosmetics products with exclusive distributorship and trendy cosmetics products, and training employees to provide quality and professional services. As of 31st March, 2013, the Group had established 66 ***Colourmix*** outlets with economies of scale in its outlet network. In the future, the Group will focus on internal consolidation. Meanwhile, the Group is currently investing resources in light of enhancing business efficiency, including better automated and systematic approaches for the operating process, inventory planning, resource management, etc. During the period from April to May 2013, cosmetics business recorded an increase of approximately 25% on the turnover of comparable outlets. The management is confident about the future development of the cosmetics business and will continue to expand outlet network according to existing pace.

Looking forward, there is still full of uncertainties for the global economy; however, the management will continue to closely observe various factors for fluctuation and uncertainties on the market in the future and adopt appropriate measures. The Group will also maintain prudent financial and operational management, strictly control cost and upgrade inventory management in order to lower inventory cost and enhance inventory effectiveness. Moreover, the Group will keep providing price rite products and continue to offer training for its staff with an aim to enhance the overall service quality, which will allow them to provide quality services to customers and give strong support to the brand. The Group is prudently optimistic about its future development.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK$359,708,000 as at 31st March, 2012 to HK$392,766,000 for the year 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$89,671,000 (31st March, 2012: HK$107,413,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK$76,224,000 (31st March, 2012: HK$61,316,000) whereas the total borrowings was HK$76,329,000 (31st March, 2012: HK$61,717,000). The increase in total borrowings was mainly attributable to continuous expansion of cosmetics retail network and opening of fashion outlets in Hong Kong. During the year, the net increase in number of cosmetics outlets and fashion outlets in Hong Kong is 8 & 8 respectively. The borrowings were mainly used for renovation of newly opened outlets, payment of rental deposits and cosmetics stock purchases.

At the end of the reporting period, the current ratio was 3.56 times (31st March, 2012: 3.71 times) and the gearing ratio of the Group was 0.12 time (31st March, 2012: 0.10 time (restated)) which was calculated based on the Group's total borrowings of HK$76,329,000 (31st March, 2012: HK$61,717,000) and the total equity of HK$621,592,000 (31st March, 2012: HK$597,680,000 (restated)).

At 31st March, 2013, the Group had banking facilities amounting to HK$213,690,000 (31st March, 2012: HK$158,739,000), of which HK$111,601,000 (31st March, 2012: HK$88,799,000) 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. Approximately 40% (2012: 33%) of purchases costs are in foreign currencies for the year. 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$59,486,000 (31st March, 2012: HK$50,192,000).

CONTINGENT LIABILITIES

At 31st March, 2013, the Company had provided guarantees of HK$224,619,000 (31st March, 2012: HK$163,206,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company of which HK$111,601,000 (31st March, 2012: HK$88,799,000) was utilised by the subsidiaries.

STAFF & REMUNERATION POLICIES

At 31st March, 2013, the Group had 2,996 employees (31st March, 2012: 3,336). 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 performance. 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.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Friday, 30th August, 2013. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 28th August, 2013 to Friday, 30th August, 2013 (both days inclusive) during which period no transfer of shares will be registered. In order to be qualify as members to attend and vote at the AGM, investors are urged to lodge all transfers of shares accompanied by the relevant share certificates and transfer forms with the Company's share registrars in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 27th August, 2013.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

In order to ascertain the entitlement to the proposed final dividend for the year ended 31st March, 2013, the register of members of the Company will be closed from Monday, 9th September, 2013 to Wednesday, 11th September, 2013 (both days inclusive) during which period no transfer of shares will be registered. The last day for dealing in Shares cum entitlements to the proposed final dividend for the year ended 31st March, 2013 will be Wednesday, 4th September, 2013. Shareholders are reminded that in order to qualify for the entitlement to the proposed final dividend for the year ended 31st March, 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6th September, 2013.

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

During the year, 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 set out in the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the year ended 31st March, 2013.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2013 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding director's securities transactions on terms no less exacting than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results for the year ended 31st March, 2013. The Audit Committee comprises all the three independent non-executive directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement containing all information required by Appendix 16 to the Listing Rules is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and the Company at http://www.irasia.com/listco/hk/veeko/index.htm respectively. The annual report of the Company for the year ended 31st March, 2013 will be dispatched to the shareholders and published on the above websites in due course.

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, 25th June, 2013

As at the date of this announcement, the Board comprises Mr. Cheng Chung Man, Johnny (Chairman) and Ms. Lam Yuk Sum as executive directors, Dr. Fok Kam Chu, John, Mr. Yang Wei Tak and Mr. Yeung Wing Kay as independent non-executive directors.