



VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

股份代號 Stock Code: 1173



Wanko 代言人  
影綵紅人  
余詩曼



Veeko 代言人  
影綵紅人  
徐子珊



wanko Veeko colourmix 卡萊美

2013/2014 Interim Report 中期報告書

For the six months ended 30<sup>th</sup> September, 2013 截至二零一三年九月三十日止六個月

# wanko®

*Fall / Winter  
2013*



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

HSBC Trustee (Cayman) Limited  
P.O. Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman  
KY1-1106  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai, 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, 2013. The results, together with the comparative figures for the corresponding period in 2012, are summarised below:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2013

		Six months ended 30th September,	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Notes		
Turnover	3	<b>720,157</b>	615,167
Cost of goods sold		<b>(370,980)</b>	(302,538)
Gross profit		<b>349,177</b>	312,629
Selling and distribution costs		<b>(278,315)</b>	(246,788)
Administrative expenses		<b>(53,165)</b>	(53,566)
Other income, gains and losses		<b>2,226</b>	3,850
Increase in fair values of investment properties		–	3,570
Finance costs		<b>(904)</b>	(731)
Profit before tax		<b>19,019</b>	18,964
Income tax expense	4	<b>(3,607)</b>	(1,137)
Profit for the period	5	<b>15,412</b>	17,827
<b>Other comprehensive income (expense)</b>			
<b>Item that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<b>524</b>	(969)
<b>Total comprehensive income for the period</b>		<b>15,936</b>	16,858
Dividends	6	<b>19,989</b>	19,972
Earnings per share	7		
Basic		<b>HK0.6940 cent</b>	HK0.8033 cent
Diluted		<b>HK0.6934 cent</b>	HK0.8030 cent

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2013

	Notes	30th September, 2013 (Unaudited) HK\$'000	31st March, 2013 (Audited) HK\$'000
<b>Non-current Assets</b>			
Investment properties		1,760	1,760
Property, plant and equipment		153,206	153,815
Prepaid lease payments		8,218	8,246
Rental deposits paid		49,547	56,534
Deferred tax assets		7,496	8,604
Certificate of deposit		6,332	6,253
		<u>226,559</u>	<u>235,212</u>
<b>Current Assets</b>			
Inventories		411,806	357,588
Trade and other receivables	8	62,503	62,597
Prepaid lease payments		266	262
Rental and utility deposits paid		44,753	36,230
Tax recoverable		728	–
Pledged bank deposits		6,582	6,500
Bank balances, deposits and cash		73,029	83,171
		<u>599,667</u>	<u>546,348</u>
<b>Current Liabilities</b>			
Trade and other payables	9	84,042	75,946
Rental deposits received		12	11
Secured bank borrowings			
– due within one year		59,235	75,072
Obligation under a finance lease			
– due within one year	10	–	105
Tax payable		2,709	2,448
		<u>145,998</u>	<u>153,582</u>
Net Current Assets		<u>453,669</u>	<u>392,766</u>
		<u><b>680,228</b></u>	<u><b>627,978</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(Continued)*

At 30th September, 2013

		<b>30th September, 2013 (Unaudited) HK\$'000</b>	31st March, 2013 (Audited) HK\$'000
	<i>Notes</i>		
Capital and Reserves			
Share capital	11	<b>22,209</b>	22,203
Reserves		<b>615,436</b>	599,389
		<hr/> <b>637,645</b> <hr/>	<hr/> 621,592 <hr/>
Non-current Liabilities			
Secured bank borrowings			
– due after one year		<b>36,792</b>	1,152
Deferred tax liabilities		<b>5,791</b>	5,234
		<hr/> <b>42,583</b> <hr/>	<hr/> 6,386 <hr/>
		<hr/> <b>680,228</b> <hr/> <hr/>	<hr/> 627,978 <hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2013

	<b>Six months ended 30th September, 2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(11,365)</b>	(22,164)
Net cash used in investing activities	<b>(18,126)</b>	(22,650)
Net cash from financing activities	<b>18,905</b>	31,272
Net decrease in cash and cash equivalents	<b>(10,586)</b>	(13,542)
Cash and cash equivalents at 1st April	<b>83,171</b>	106,178
Effect of foreign exchange rate changes	<b>444</b>	136
Cash and cash equivalents at 30th September	<b><u>73,029</u></b>	<u>92,772</u>
Representing by:		
Bank balances, deposits and cash	<b><u>73,029</u></b>	<u>92,772</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th September, 2013

(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, 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>
At 1st April, 2012 (audited)	<u>22,191</u>	<u>165,031</u>	<u>(2,562)</u>	<u>2,266</u>	<u>73</u>	<u>2,181</u>	<u>408,500</u>	<u>597,680</u>
Profit for the period	-	-	-	-	-	-	17,827	17,827
Exchange differences arising on translation of foreign operations	-	-	(969)	-	-	-	-	(969)
Total comprehensive income for the period	-	-	(969)	-	-	-	17,827	16,858
Recognition of equity-settled share-based payments	-	-	-	-	-	72	-	72
Share options lapsed/cancelled	-	-	-	-	-	(438)	438	-
Transfer	-	-	-	-	108	-	(108)	-
At 30th September, 2012	<u>22,191</u>	<u>165,031</u>	<u>(3,531)</u>	<u>2,266</u>	<u>181</u>	<u>1,815</u>	<u>426,657</u>	<u>614,610</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, 2013 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, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2013.

#### **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:

HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

#### ***HKFRS 13 “Fair Value Measurement”***

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

As at the period ended 30th September, 2013, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)****Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”***

The amendments to HKAS 1 introduce new terminology for 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 and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 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 additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other 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 identified by the chief operating decision makers have been aggregated in arriving at the reporting segments of the Group.

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, 2013				
	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
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.

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

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

	Unaudited six months ended 30th September, 2012				
	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	258,748	356,419	615,167	-	615,167
Inter-segment sales	17	-	17	(17)	-
	<u>258,765</u>	<u>356,419</u>	<u>615,184</u>	<u>(17)</u>	<u>615,167</u>

Inter-segment sales are charged at prevailing market rates.

<b>SEGMENT PROFIT</b>	<u>7,198</u>	<u>10,613</u>	<u>17,811</u>	-	17,811
Increase in fair values of investment properties					3,570
Other income, gains and losses					338
Central administration costs					(2,024)
Finance costs					(731)
Profit before tax					<u>18,964</u>

**OTHER SEGMENT INFORMATION**

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

	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	<u>9,139</u>	<u>8,613</u>	<u>17,752</u>	<u>1,262</u>	<u>19,014</u>

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

	Unaudited six months ended 30th September, 2012				
	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
Capital expenditure	10,933	12,874	23,807	–	23,807
Depreciation of property, plant and equipment	9,330	6,393	15,723	722	16,445

**4. INCOME TAX EXPENSE**

**Six months ended  
30th September,  
2013**                      2012  
(Unaudited)              (Unaudited)  
**HK\$'000**                      **HK\$'000**

The expense comprises:

Profits tax		
Hong Kong Profits Tax	2,166	1,088
Other jurisdictions	(271)	(543)
Deferred tax	1,712	592
	<u>3,607</u>	<u>1,137</u>

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

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000

Profit for the period has been arrived at after charging:

Amortisation of prepaid lease payments	<b>133</b>	221
Depreciation of property, plant and equipment	<b>19,014</b>	16,445
Loss on disposal of property, plant and equipment	<b>572</b>	667
	<b><u>          </u></b>	<b><u>          </u></b>

and after crediting:

Bank interest income	<b>224</b>	262
Interest income from certificate of deposit	<b>43</b>	42
Rental income	<b>41</b>	34
	<b><u>          </u></b>	<b><u>          </u></b>

6. DIVIDENDS

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000

Dividends recognised as distribution during the period:

2013 final dividend of HK0.9 cent (2012: HK0.9 cent) per share	<b>19,989</b>	19,972
	<b><u>          </u></b>	<b><u>          </u></b>

The 2013 final dividend of HK0.9 cent per share in cash with a scrip option has been approved in the annual general meeting held on 30th August, 2013. HK\$3,595,000 cash dividend has been paid and 84,718,731 scrip shares have been allotted and issued on 23rd October, 2013.

## 7. EARNINGS PER SHARE

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Profit for the period and earnings for the purpose of basic and diluted earnings per share	<b>HK\$15,412,000</b>	HK\$17,827,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,220,614,854</b>	2,219,147,641
Effect of dilutive potential ordinary shares in respect of share options	<b>2,082,946</b>	865,996
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,222,697,800</b>	2,220,013,637

## 8. TRADE AND OTHER RECEIVABLES

At 30th September, 2013, included in the Group's trade and other receivables were trade receivables of HK\$38,102,000 (31st March, 2013: HK\$45,228,000). 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:

	<b>30th September,</b>	31st March,
	<b>2013</b>	2013
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>22,712</b>	24,047
31 – 60 days	<b>2,864</b>	7,618
61 – 90 days	<b>1,304</b>	1,450
Over 90 days	<b>11,222</b>	12,113
	<b>38,102</b>	45,228



**9. TRADE AND OTHER PAYABLES**

At 30th September, 2013, included in the Group's trade and other payables were trade payables of HK\$35,183,000 (31st March, 2013: HK\$32,095,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	<b>30th September, 2013 (Unaudited) HK\$'000</b>	31st March, 2013 (Audited) HK\$'000
Within 30 days	<b>17,301</b>	15,581
31 – 60 days	<b>7,942</b>	4,558
61 – 90 days	<b>6,871</b>	7,312
Over 90 days	<b>3,069</b>	4,644
	<b><u>35,183</u></b>	<b><u>32,095</u></b>

**10. OBLIGATION UNDER A FINANCE LEASE**

	Minimum lease payments		Present value of minimum lease payments	
	30th September, 2013 (Unaudited) HK\$'000	31st March, 2013 (Audited) HK\$'000	30th September, 2013 (Unaudited) HK\$'000	31st March, 2013 (Audited) HK\$'000
Amounts payable under a finance lease:				
Within one year	-	108	-	105
In more than one year but not more than two years	-	-	-	-
	-	108	-	105
Less: future finance charges	-	(3)	-	-
Present value of lease obligation	<b><u>-</u></b>	<b><u>105</u></b>	<b><u>-</u></b>	<b><u>105</u></b>
Less: Amount due for settlement within one year (shown under current liabilities)			<b><u>-</u></b>	<b><u>(105)</u></b>
Amount due for settlement after one year			<b><u>-</u></b>	<b><u>-</u></b>

The Group leased a motor vehicle under a finance lease. The lease term is 5 years. Interest rate underlying the obligation under a finance lease was fixed at contract date. The effective interest rate is 8.29% (2012: 8.29%) per annum.

## 11. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st April, 2013 and 30th September, 2013	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st April, 2012	2,219,147,641	22,191
Exercise of share options (Note i)	<u>1,200,000</u>	<u>12</u>
At 31st March, 2013	2,220,347,641	22,203
Exercise of share options (Note ii)	<u>600,000</u>	<u>6</u>
30th September, 2013	<u>2,220,947,641</u>	<u>22,209</u>

Notes:

- (i) During the year ended 31st March, 2013, 800,000 and 400,000 share options were exercised at HK\$0.1562 and HK\$0.1860 per share, respectively, resulting in issue of a total of 1,200,000 ordinary shares of HK\$0.01 each in the Company.
- (ii) During the period ended 30th September, 2013, 600,000 share options were exercised at HK\$0.1860 per share, resulting in issue of a total of 600,000 ordinary shares of HK\$0.01 each in the Company.

## 12. 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, 2013 (Unaudited) HK\$'000	31st March, 2013 (Audited) HK\$'000
Within one year	253,266	269,516
In the second to fifth year inclusive	198,629	176,035
Over five years	<u>514</u>	<u>485</u>
	<u>452,409</u>	<u>446,036</u>

**12. OPERATING LEASES** *(Continued)*

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 outlets.

**The Group as lessor**

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

	<b>30th September, 2013 (Unaudited) HK\$'000</b>	31st March, 2013 (Audited) HK\$'000
Within one year	<b>58</b>	22

**13. 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:

	<b>30th September, 2013 (Unaudited) HK\$'000</b>	31st March, 2013 (Audited) HK\$'000
Investment properties	<b>1,760</b>	1,760
Leasehold land and buildings	<b>50,011</b>	51,226
Pledged bank deposits	<b>6,582</b>	6,500
	<b>58,353</b>	59,486

**14. EVENT AFTER THE REPORTING PERIOD**

On 7th October, 2013, the Company granted share options to subscribe for a total of 60,080,000 ordinary shares of HK\$0.01 each in the share capital of the Company to 51 Grantees (as defined in the rules of its share option scheme adopted by the Company) at an exercise price of HK\$0.225. None of the Grantees is a director, chief executive or substantial shareholder of the Company or an associate (as defined under the Listing Rules) of any of them.

### **INTERIM DIVIDEND**

At the Board Meeting held on 27th November, 2013, the Board has resolved to declare the payment of an interim dividend of HK0.50 cent (2013: HK0.50 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2014. The interim dividend will be payable on or about Wednesday, 22nd January, 2014, to the shareholders whose names appeared on the register of members of the Company on Friday, 20th December, 2013.

### **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the entitlements to the interim dividend for the year ending 31st March, 2014, the register of members of the Company will be closed from Wednesday, 18th December, 2013 to Friday, 20th December, 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 interim dividend for the year ending 31st March, 2014 will be Friday, 13th December, 2013. Shareholders are reminded that in order to qualify for the interim dividend for the year ending 31st March, 2014, 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 not later than 4:30 p.m. on Tuesday, 17th December, 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30th September, 2013, the Group recorded a turnover of HK\$720,157,000 (2012: HK\$615,167,000), representing an increase of 17.1% as compared with the corresponding period of last year. Included in the amount of turnover was HK\$457,319,000 (2012: HK\$356,419,000) generated by the cosmetics business, representing an increase of 28.3% over the same period last year and accounting for 63.5% (2012: 57.9%) of the Group's total turnover. Turnover of the fashion business reached HK\$262,838,000 (2012: HK\$258,748,000), representing a slight increase of 1.6% as compared with the same period in the preceding year. The gross profit margin of the fashion business was 68.2%, representing a decrease of 0.9 percentage point as compared with 69.1% for the corresponding period of last year. The gross profit margin of the cosmetics business for the period was 37.2%, representing a slight decrease of 0.3 percentage point as compared with 37.5% for the corresponding period of last year. Profit attributable to shareholders for the period amounted to HK\$15,412,000 (2012: HK\$17,827,000), representing a decrease of 13.5% as compared with the corresponding period of last year. One of the reasons was the increase of HK\$3,570,000 in fair value of investment properties in the same period last year but no such extraordinary gain was recorded in this period. The cosmetics business recorded a segment profit of HK\$20,920,000 in this period, representing a significant increase of 97.1% over that of the same period last year, which was HK\$10,613,000. The fashion business recorded a segment profit of HK\$1,352,000 in this period, representing a decrease of 81.2% as compared to that of HK\$7,198,000 for the same period last year, mainly attributable to the unsatisfactory performance in the overseas markets.

As of 30th September, 2013, the Group had altogether 201 fashion outlets in Hong Kong, Macau, Taiwan, Singapore and Mainland China (30th September, 2012: 210 outlets). The reason for the decrease in number of outlets 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 outlets so as to enhance operation efficiency.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Fashion Business

#### Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 68.5% of the total turnover of fashion business of the Group. For the six months ended 30th September, 2013, turnover from the Hong Kong and Macau market amounted to HK\$180,173,000 (2012: HK\$168,486,000), representing a 6.9% increase over the same period last year, but the turnover of comparable outlets recorded a decrease of 1.2%. The performance in Hong Kong and Macau market was affected by the promotion of the slow-moving goods from Taiwan market during the period, resulting in a lower gross profit margin than that for the same period last year. As of 30th September, 2013, the Group had altogether 79 outlets in Hong Kong and Macau (30th September, 2012: 71 outlets).

#### Fashion Business – Taiwan Market

Turnover of the retail business in Taiwan for the first half of the financial year was HK\$28,630,000 (2012: HK\$36,929,000), representing a decrease of 22.5% over the same period last year. As of 30th September, 2013, the Group had 38 outlets in Taiwan (30th September, 2012: 46 outlets). Due to weak sales performance in Taiwan market 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 outlets. So far, the number of outlets in Taiwan further decreased to 33.

#### Fashion Business – Singapore Market

During the first half of the financial year, turnover of the retail business in Singapore decreased 6.7% over the same period last year to HK\$22,887,000 (2012: HK\$24,542,000). As of 30th September, 2013, the Group had 14 outlets in Singapore, which was similar to that for the same period last year.

#### Fashion Business – China Market

During the period under review, turnover of the China market amounted to HK\$31,148,000 (30 September, 2012: HK\$28,791,000), representing an increase of 8.2% over the same period last year. As of 30th September, 2013, the number of **Veeko** and **Wanko** outlets in China was 70 (30th September, 2012: 79 outlets).

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Cosmetics Business

As of 30th September, 2013, the Group had established 70 **Colourmix** outlets (30th September, 2012: 64 outlets), of which 63 outlets were situated in Hong Kong, 5 outlets were situated in Macau and 2 outlets were situated in China. For the period under review, cosmetics retail business recorded a turnover of HK\$457,319,000 (30 September, 2012: HK\$356,419,000), representing an increase of 28.3%, and accounted for 63.5% of the total turnover of the Group. The turnover of comparable outlets also increased by 21% over the same period last year. During the period, average sales amount per transaction also increased by 4.9% year on year to HK\$323 from HK\$308 for the same period last year. The gross profit margin of cosmetics business for the period was 37.2%, representing a slight decrease of 0.3 percentage point as compared to 37.5% of the same period last year. The cosmetics business recorded a segment profit of HK\$20,920,000 during the period, which represented a significant increase of 97.1% when compared with that of HK\$10,613,000 for the same period last year, and the cosmetics business contributed materially to the Group's results.

## 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 overseas markets which is not expected to bottom out in the short run. Therefore, the Group has exercised prudent strategies on business expansion to overseas markets and kept abreast of market condition by not only putting resources in enhancing the effectiveness of existing retail outlets but also restructuring underperforming 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. The performance in Hong Kong and Macau market was affected by the promotion of the slow-moving goods from Taiwan market during the period, resulting in a lower gross profit margin than that for the same period last year. Since Hong Kong and Macau market accounted for 68.5% to the total turnover of fashion business during the period under review, the overall segment results of the fashion business has declined as compared to the same period last year directly attributable to the performance of this market, which is, however, believed to be just interim situation. In fact, by the promotion of slow-moving goods from Taiwan market in Hong Kong and Macau market, the number of saleable days for inventories of the fashion business during the period was decreased by 13 as compared to the same period last year, resulting in healthier fashion business as a whole, which is beneficial to the future development. In light of the outstanding performance of the sales growth and gross profit margin of Hong Kong and Macau market as compared with other overseas markets, the Group will continue to develop in Hong Kong and Macau 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 new outlets and will focus on product design as well as offer popular products that bring relatively higher profits to enhance brand value.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Cosmetics Business

Cosmetics business continued to contribute to the Group's profit and accounted for 63.5% to the total turnover of the Group during the period. It recorded segment results of profit of HK\$20,920,000, representing a significant increase of 97.1% as compared with a profit of HK\$10,613,000 for the same period of last year. During the period, gross profit margin of cosmetics business was 37.2%, representing a slight decrease of 0.3 percentage point as compared with 37.5% for the same period of last year, which has seen an improvement as compared with the decrease in gross profit margin for last year.

During the period under review, the Group opened 5 additional outlets and closed 1 outlet. As of 30th September, 2013, the Group had established 70 **Colourmix** outlets with economies of scale in its outlet network, mainly situated in Hong Kong and Macau. After a few years of aggressive expansion, our retail network has covered all major shopping malls and even tourist areas in Hong Kong and Macau. The Group has also continued to improve its outlet image by renovation of existing outlets with new designs, as a result of which, the market position and image of **Colourmix** outlets have been further improved and more popular among mainland tourists. Moreover, as the Group was more recognized in the market by continuing to enrich its product portfolio and increase the variety of cosmetics products with exclusive distributorship and trendy cosmetics products, the sales in the period under review increased by 28.3% year on year, and the sales of comparable outlets also recorded a 21% growth, while gross profit margin remained similar with that for the same period last year. As of October 2013, comparable outlets recorded approximately a satisfactory growth of 27.3% in turnover.

Over the past two years, as the Group has been expanding its retail network by opening over 10 outlets each year on average, it needs to deploy experienced staff to support the newly opened outlets, and make special adjustments in inventory planning to cope with such rapid growth. The Group is confident that the cosmetics business will achieve improvement after such consolidation stage. 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. With economies of scale in its outlet network, the Group will focus on internal consolidation in the future. During the period, the Group has put more resources on computer information management in order to enhance business efficiency, including better automated and systematic approaches for the operating process, inventory planning, resource management and etc.. The management is confident about the future development of the cosmetics business and will continue to expand outlet network at existing pace.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Cosmetics Business** *(Continued)*

Looking forward, there is still full of uncertainties for the global economy; however, the management will continue to closely observe various factors for fluctuations 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\$392,766,000 as at 31st March, 2013 to HK\$453,669,000 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\$79,611,000 (31st March, 2013: HK\$89,671,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$96,027,000 (31st March, 2013: HK\$76,224,000) whereas the total borrowings was HK\$96,027,000 (31st March, 2013: HK\$76,329,000). The increase in the total borrowings was mainly attributable to the continuous expansion of cosmetics retail network and opening of fashion outlets in Hong Kong. During the period, the net increase in number of cosmetics outlets and fashion outlets in Hong Kong is 4 and 2 respectively. The borrowings were mainly used for renovation of newly opened outlets, 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 4.11 times (31st March, 2013: 3.56 times) and the gearing ratio of the Group was 0.15 time (31st March, 2013: 0.12 time) which was calculated based on the Group's total borrowings of HK\$96,027,000 (31st March, 2013: HK\$76,329,000) and the total equity of HK\$637,645,000 (31st March, 2013: HK\$621,592,000).

At 30th September, 2013, the Group had banking facilities amounting to HK\$241,229,000 (31st March, 2013: HK\$213,690,000), of which HK\$130,299,000 (31st March, 2013: HK\$111,601,000) 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\$58,353,000 (31st March, 2013: HK\$59,486,000).

### **CONTINGENT LIABILITIES**

At 30th September, 2013, the Company had provided guarantees of HK\$260,196,000 (31st March, 2013: HK\$224,619,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company of which HK\$130,299,000 (31st March, 2013: HK\$111,601,000) was utilised by the subsidiaries.

### **STAFF AND REMUNERATION POLICIES**

At 30th September, 2013, the Group had 2,738 employees. 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 scheme.

The following table discloses details of options held by employees of the Group and movements in such holdings during the period ended 30th September, 2013:

Date of grant	Vesting period	Exercisable period	Exercise price per share	Balance at 1.4.2013	Exercised during the period	Outstanding at 30.9.2013
4th June, 2007	4th June, 2007 to 3rd June, 2012	4th June, 2012 to 3rd June, 2014	HK\$0.1860	11,600,000	(600,000)	11,000,000
6th January, 2010	6th January, 2010 to 5th January, 2014	6th January, 2014 to 5th January, 2017	HK\$0.1562	800,000	-	800,000
				12,400,000	(600,000)	11,800,000
				12,400,000	(600,000)	11,800,000

In respect of the share options exercised during the period ended 30th September, 2013, the weighted average share price immediately before the dates on which the share options were exercised was HK\$0.227. No share options were exercised during the period ended 30th September, 2012.

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

As at 30th September, 2013, 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:

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Mr. Cheng Chung Man, Johnny	Founder	1,208,718,510 <i>(Note)</i>	54.42%
	Beneficial owner	<u>134,450,444</u>	<u>6.05%</u>
		<u><u>1,343,168,954</u></u>	<u><u>60.47%</u></u>
Ms. Lam Yuk Sum <i>(Chief Executive Officer)</i>	Beneficiary of Trust	1,208,718,510 <i>(Note)</i>	54.42%
	Beneficial owner	<u>234,237,738</u>	<u>10.55%</u>
		<u><u>1,442,956,248</u></u>	<u><u>64.97%</u></u>

*Note:* These 1,208,718,510 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, 2013, 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, 2013, 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.

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Silver Crown	Beneficial owner	1,208,718,510	54.42%
Well Feel Group Limited	Interest of a controlled corporation <i>(Note)</i>	1,208,718,510	54.42%
HSBC International Trustee Limited	Trustee <i>(Note)</i>	1,208,718,510	54.42%

*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, 2013, 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, 2013.

## **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, 2013.

## **AUDIT COMMITTEE**

The unaudited results of the Group for the six months ended 30th September, 2013 have been reviewed by the Audit Committee. The Audit Committee constitutes 3 independent non-executive directors.

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

Hong Kong, 27th November, 2013

# Veeko®

2013-2014

*F/W Collection*



Veeko代言人  
影視紅人  
徐子珊



**VEEKO INTERNATIONAL HOLDINGS LIMITED**

**威高國際控股有限公司**

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[www.irasia.com/listco/hk/veeko/index.htm](http://www.irasia.com/listco/hk/veeko/index.htm)

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