

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014**

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 | 2013 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$’000 | HK\$’000 |
| Turnover | 3 | 862,357 | 720,157 |
| Cost of goods sold | | (466,141) | (370,980) |
| | | <hr/> | <hr/> |
| 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) |
| | | <hr/> | <hr/> |

| | | Six months ended | |
|--|--------------|-------------------------|-----------------|
| | | 30th September, | |
| | | 2014 | 2013 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Profit before tax | | 41,672 | 19,019 |
| Income tax expense | 4 | (5,562) | (3,607) |
| | | <hr/> | <hr/> |
| Profit for the period | 5 | 36,110 | 15,412 |
| | | <hr/> | <hr/> |
| Other comprehensive income | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | (241) | 524 |
| | | <hr/> | <hr/> |
| Total comprehensive income for the period | | 35,869 | 15,936 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Dividends | 6 | 20,850 | 19,989 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Earnings per share | 7 | | |
| Basic | | HK1.559 cents | HK0.6940 cent |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Diluted | | HK1.555 cents | HK0.6934 cent |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2014

| | | 30th September, 2014 (Unaudited) <i>HK\$'000</i> | 31st March, 2014 (Audited) <i>HK\$'000</i> |
|----------------------------------|---|---|---|
| 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 |
| | | 230,626 | 228,929 |
| 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 |
| | | 679,437 | 610,901 |
| 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 |
| | | 202,955 | 164,568 |
| Net Current Assets | | 476,482 | 446,333 |
| | | 707,108 | 675,262 |

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

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 Amendments to HKAS 36 | Offsetting Financial Assets and Financial Liabilities 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 <i>HK\$'000</i> | Cosmetics <i>HK\$'000</i> | Segment Total <i>HK\$'000</i> | Eliminations <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
| 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> |

| | Unaudited six months ended 30th September, 2013 | | | | |
|---------------------|---|------------------------------|----------------------------------|---------------------------------|---------------------------------|
| | Fashion <i>HK\$'000</i> | Cosmetics <i>HK\$'000</i> | Segment Total <i>HK\$'000</i> | Eliminations <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
| 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 <i>HK\$'000</i> | Cosmetics <i>HK\$'000</i> | Segment Total <i>HK\$'000</i> | Corporate <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
| 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> |

| | Unaudited six months ended 30th September, 2013 | | | | |
|--|---|------------------------------|----------------------------------|------------------------------|---------------------------------|
| | Fashion <i>HK\$'000</i> | Cosmetics <i>HK\$'000</i> | Segment Total <i>HK\$'000</i> | Corporate <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
| 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> |

4. INCOME TAX EXPENSE

| | Six months ended 30th September, | |
|------------------------|--|--|
| | 2014 (Unaudited) <i>HK\$'000</i> | 2013 (Unaudited) <i>HK\$'000</i> |
| The expense comprises: | | |
| Profits tax | | |
| Hong Kong Profits Tax | 4,028 | 2,166 |
| Other jurisdictions | 642 | (271) |
| Deferred tax | <u>892</u> | <u>1,712</u> |
| | <u>5,562</u> | <u>3,607</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

| | 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 |
| | <u>20,538</u> | <u>19,719</u> |
| 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 |
| | <u>4,310</u> | <u>1,452</u> |

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 |
| | <u>20,850</u> | <u>19,989</u> |

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 (Unaudited) | 2013 (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 (Unaudited) HK\$'000 | 31st March, 2014 (Audited) HK\$'000 |
|----------------|--|--|
| 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 |
| | <hr/> 33,849 <hr/> | <hr/> 27,433 <hr/> |

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 (30 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.

This year was the tenth anniversary since October 2004 when the Group commenced its cosmetics chain retail 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.

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).

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 (30th 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 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.

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

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