



**VEEKO INTERNATIONAL
HOLDINGS LIMITED**
威高國際控股有限公司
股份代號 Stock Code: 1173

徐子珊
Veeko 皇級代言人



余詩曼
Wanko 皇級代言人

2015/2016 Interim Report 中期報告書

For the six months ended 30th September, 2015 截至二零一五年九月三十日止六個月

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CORPORATE INFORMATION

Directors

Executive directors

Mr. CHENG Chung Man, Johnny
(Chairman)

Ms. LAM Yuk Sum
(Chief Executive Officer)

Independent non-executive directors

Dr. FOK Kam Chu, John

Mr. YANG Wei Tak

Mr. YEUNG Wing Kay

Audit Committee Members

Mr. YEUNG Wing Kay (Chairman)

Dr. FOK Kam Chu, John

Mr. YANG Wei Tak

Nomination Committee

Members

Mr. CHENG Chung Man, Johnny
(Chairman)

Dr. FOK Kam Chu, John

Ms. LAM Yuk Sum

Mr. YANG Wei Tak

Mr. YEUNG Wing Kay

Remuneration Committee

Members

Mr. YEUNG Wing Kay (Chairman)

Mr. CHENG Chung Man, Johnny

Dr. FOK Kam Chu, John

Ms. LAM Yuk Sum

Mr. YANG Wei Tak

Authorised Representatives

Mr. CHENG Chung Man, Johnny

Ms. LAM Yuk Sum

Company Secretary

Ms. WONG Chi Ying

Legal Advisers as to

Cayman Islands Law

Conyers Dill & Pearman, Cayman

Zephyr House

George Town

Grand Cayman

British West Indies

Legal Advisers as to

Hong Kong Law

Chiu & Partners

40th Floor, Jardine House

1 Connaught Place

Hong Kong

Auditor

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

Registered Office

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

Head Office and Principal Place of Business

10th Floor, Wyler Centre Phase II
192-200 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Website Addresses

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

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

Stock Code

1173

VEEKO INTERNATIONAL HOLDINGS LIMITED

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, 2015. The results, together with the comparative figures for the corresponding period in 2014, are summarised below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2015

		Six months ended 30th September,	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
Turnover	3	1,066,045	862,357
Cost of goods sold		(602,017)	(466,141)
Gross profit		464,028	396,216
Selling and distribution costs		(343,388)	(298,803)
Administrative expenses		(66,213)	(60,122)
Other income, gains and losses		(1,369)	5,591
Finance costs		(1,733)	(1,210)
Profit before tax		51,325	41,672
Income tax expense	4	(9,837)	(5,562)
Profit for the period	5	41,488	36,110
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		2,700	(241)
Total comprehensive income for the period		44,188	35,869
Dividends	6	31,055	20,850
Earnings per share	7		
Basic		HK1.737 cents	HK1.559 cents
Diluted		HK1.728 cents	HK1.555 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2015

		30th September, 2015 (Unaudited) HK\$'000	31st March, 2015 (Audited) HK\$'000
	<i>Notes</i>		
Non-current Assets			
Investment properties		6,497	2,400
Property, plant and equipment		234,166	148,692
Prepaid lease payments		7,405	7,722
Rental deposits paid		81,732	63,135
Deposits paid for acquisition of property, plant and equipment		–	59,892
Deposits paid for acquisition of investment properties		–	2,517
Deferred tax assets		8,483	9,893
		<u>338,283</u>	<u>294,251</u>
Current Assets			
Inventories		515,888	449,580
Trade and other receivables	8	45,424	56,442
Prepaid lease payments		256	262
Rental and utility deposits paid		49,399	45,943
Pledged bank deposits		6,341	6,500
Bank balances, deposits and cash		92,612	76,879
		<u>709,920</u>	<u>635,606</u>
Current Liabilities			
Trade and other payables	9	88,023	78,185
Rental deposits received		17	12
Secured bank borrowings – due within one year		147,546	82,487
Tax payable		18,909	14,476
		<u>254,495</u>	<u>175,160</u>
Net Current Assets		<u>455,425</u>	<u>460,446</u>
		<u>793,708</u>	<u>754,697</u>

VEEKO INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30th September, 2015

		30th September, 2015 (Unaudited) HK\$'000	31st March, 2015 (Audited) HK\$'000
	<i>Notes</i>		
Capital and Reserves			
Share capital	10	23,888	23,888
Reserves		765,804	721,233
		<hr/> 789,692 <hr/>	<hr/> 745,121 <hr/>
Non-current Liabilities			
Secured bank borrowings			
– due after one year		–	5,145
Deferred tax liabilities		4,016	4,431
		<hr/> 4,016 <hr/>	<hr/> 9,576 <hr/>
		<hr/> 793,708 <hr/> <hr/>	<hr/> 754,697 <hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2015

	(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, 2015 (audited)	23,888	205,048	3,730	2,266	181	1,054	508,954	745,121
Profit for the period	-	-	-	-	-	-	41,488	41,488
Exchange differences arising on translation of foreign operations	-	-	2,700	-	-	-	-	2,700
Total comprehensive income for the period	-	-	2,700	-	-	-	41,488	44,188
Recognition of equity-settled share-based payments	-	-	-	-	-	383	-	383
Share options cancelled	-	-	-	-	-	(10)	10	-
Transfer	-	-	-	-	22	-	(22)	-
At 30th September, 2015	<u>23,888</u>	<u>205,048</u>	<u>6,430</u>	<u>2,266</u>	<u>203</u>	<u>1,427</u>	<u>550,430</u>	<u>789,692</u>
At 1st April, 2014 (audited)	23,153	187,012	(1,459)	2,266	181	760	443,314	655,227
Profit for the period	-	-	-	-	-	-	36,110	36,110
Exchange differences arising on translation of foreign operations	-	-	(241)	-	-	-	-	(241)
Total comprehensive income for the period	-	-	(241)	-	-	-	36,110	35,869
Issue of shares on exercise of share options	13	398	-	-	-	(169)	-	242
Recognition of equity-settled share-based payments	-	-	-	-	-	451	-	451
Share options lapsed/cancelled	-	-	-	-	-	(241)	241	-
At 30th September, 2014	<u>23,166</u>	<u>187,410</u>	<u>(1,700)</u>	<u>2,266</u>	<u>181</u>	<u>801</u>	<u>479,665</u>	<u>691,789</u>

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

- (a) non-distributable reserves set aside by the Macau subsidiaries in accordance with relevant statutory requirements; and
- (b) 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.

VEEKO INTERNATIONAL HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2015

	Six months ended	
	30th September,	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	7,707	4,085
Net cash used in investing activities	(49,217)	(21,552)
Net cash from financing activities	58,181	16,305
Net increase (decrease) in cash and cash equivalents	16,671	(1,162)
Cash and cash equivalents at 1st April	76,879	91,279
Effect of foreign exchange rate changes	(938)	344
Cash and cash equivalents at 30th September	92,612	90,461
Represented by bank balances, deposits and cash	92,612	90,461

NOTES TO CONDENSED INTERIM ACCOUNTS

1. STATEMENT OF COMPLIANCE

The condensed consolidated financial statements for the six months ended 30th September, 2015 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 disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

2. BASIS OF PREPARATION

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, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2015.

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

In the current interim period, the Group has applied 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRS 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRS 2011 – 2013 Cycle

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 Cosmetics and Fashion, of which principal activities are as follows:

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

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, 2015				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	826,938	239,107	1,066,045	–	1,066,045
Inter-segment sales	–	119	119	(119)	–
	<u>826,938</u>	<u>239,226</u>	<u>1,066,164</u>	<u>(119)</u>	<u>1,066,045</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT (LOSS)	<u>58,098</u>	<u>(2,682)</u>	<u>55,416</u>	–	55,416
Other income, gains and losses					216
Central administration costs					(2,574)
Finance costs					(1,733)
Profit before tax					<u>51,325</u>

3. **SEGMENT INFORMATION** (Continued)
Operating Segments (Continued)
Segment Revenue and Results (Continued)

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

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>37,191</u>	<u>7,973</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>

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, 2015				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment Total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
Capital expenditure	102,812	4,984	107,796	109	107,905
Depreciation of property, plant and equipment	<u>12,001</u>	<u>7,454</u>	<u>19,455</u>	<u>1,258</u>	<u>20,713</u>

3. SEGMENT INFORMATION *(Continued)*
Operating Segments *(Continued)*
Other Segment Information *(Continued)*

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

4. INCOME TAX EXPENSE

	Six months ended 30th September,	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
The expense comprises:		
Profits tax		
Hong Kong Profits Tax	7,801	4,028
Other jurisdictions	1,213	642
Deferred tax	<u>823</u>	<u>892</u>
	<u>9,837</u>	<u>5,562</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,	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Amortisation of prepaid lease payments	130	132
Depreciation of property, plant and equipment	20,713	20,132
Loss on disposal of property, plant and equipment	518	274
	<u> </u>	<u> </u>

and after crediting:

Bank interest income	134	303
Net exchange (loss) gain	(4,349)	3,964
Rental income	924	43
	<u> </u>	<u> </u>

6. DIVIDENDS

	Six months ended	
	30th September,	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
2015 final dividend of HK1.3 cents (2014: HK0.9 cent) per share	31,055	20,850
	<u> </u>	<u> </u>

The 2015 final dividend of HK1.3 cents per share in cash has been approved in the annual general meeting held on 2nd September, 2015. HK\$31,055,000 cash dividend has been paid on 13th October, 2015.

7. EARNINGS PER SHARE

	Six months ended 30th September, 2015	
	(Unaudited)	2014 (Unaudited)
Earnings:		
Profit for the period and earnings for the purpose of basic and diluted earnings per share	HK\$41,488,000	HK\$36,110,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,388,884,410	2,316,537,410
Effect of dilutive potential ordinary shares:		
Share options	11,529,680	4,890,357
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,400,414,090	2,321,427,767

8. TRADE AND OTHER RECEIVABLES

At 30th September, 2015, included in the Group's trade and other receivables were trade receivables of HK\$22,074,000 (31st March, 2015: HK\$25,416,000). 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, 2015	31st March, 2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 30 days	13,097	17,227
31 – 60 days	1,134	1,482
61 – 90 days	403	275
Over 90 days	7,440	6,432
	22,074	25,416

9. TRADE AND OTHER PAYABLES

At 30th September, 2015, included in the Group's trade and other payables were trade payables of HK\$33,666,000 (31st March, 2015: HK\$29,464,000). 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, 2015 (Unaudited) HK\$'000	31st March, 2015 (Audited) HK\$'000
Within 30 days	26,323	23,222
31 – 60 days	3,454	1,433
61 – 90 days	1,601	2,431
Over 90 days	2,288	2,378
	33,666	29,464
	33,666	29,464

10. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1st April, 2015 and 30th September, 2015	10,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2014	2,315,366,372	23,153
Issue of new shares in lieu of cash dividends (<i>Note i</i>)	65,218,038	652
Exercise of share options (<i>Note ii</i>)	8,300,000	83
	2,388,884,410	23,888
At 31st March, 2015 and 30th September, 2015	2,388,884,410	23,888

10. SHARE CAPITAL (Continued)

Notes:

- (i) On 23rd October, 2014, the Company issued and allotted a total of 65,218,038 ordinary shares of HK\$0.01 each at HK\$0.255 per share, in lieu of cash for the 2014 final dividend.
- (ii) During the year ended 31st March, 2015, 1,300,000 and 7,000,000 share options were exercised at HK\$0.186 and HK\$0.225 per share, respectively, resulting in issue of a total of 8,300,000 ordinary shares of HK\$0.01 each in the Company.

11. OPERATING LEASES

The Group as lessee

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

	30th September, 2015 (Unaudited) HK\$'000	31st March, 2015 (Audited) HK\$'000
Within one year	371,405	310,572
In the second to fifth year inclusive	392,761	291,004
	<u>764,166</u>	<u>601,576</u>

In addition to these commitments, the Group may pay additional rental expenses in respect of certain premises which are dependent upon the level of sales achieved by particular stores.

11. OPERATING LEASES (Continued)

The Group as lessor

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

	30th September, 2015 (Unaudited) HK\$'000	31st March, 2015 (Audited) HK\$'000
Within one year	84	34

12. PLEDGE OF ASSETS

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

	30th September, 2015 (Unaudited) HK\$'000	31st March, 2015 (Audited) HK\$'000
Investment properties	6,497	2,400
Leasehold land and buildings	137,189	46,365
Pledged bank deposits	6,341	6,500
	150,027	55,265

INTERIM DIVIDEND

At the Board Meeting held on 27th November, 2015, the Board has resolved to declare the payment of an interim dividend of HK0.80 cent (2015: HK0.70 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2016. The interim dividend will be payable on or about Wednesday, 27th January, 2016, to the shareholders whose names appeared on the register of members of the Company on Friday, 18th December, 2015.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to the interim dividend for the year ending 31st March, 2016, the register of members of the Company will be closed from Wednesday, 16th December, 2015 to Friday, 18th December, 2015 (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, 2016 will be Friday, 11th December, 2015. Shareholders are reminded that in order to qualify for the entitlement of the interim dividend for the year ending 31st March, 2016, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15th December, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th September, 2015, the Group recorded a turnover of HK\$1,066,045,000 (2014: HK\$862,357,000), representing an increase of 23.6% as compared with the corresponding period of last year. Included in the amount of turnover was HK\$826,938,000 (2014: HK\$618,286,000) generated by the cosmetics business, representing an increase of 33.7% over the same period last year and accounting for 77.6% (2014: 71.7%) of the Group's total turnover. Turnover of the fashion business reached HK\$239,107,000 (2014: HK\$244,071,000), representing a decrease of 2% as compared with the same period in the preceding year. The gross profit margin of the fashion business was 70.5%, representing a decrease of 1.2 percentage points as compared with 71.7% for the corresponding period of last year. The gross profit margin of the cosmetics business for the period was 35.7%, which was similar with the 35.8% for the corresponding period of last year. Profit attributable to shareholders for the period amounted to HK\$41,488,000 (2014: HK\$36,110,000), representing an increase of 14.9% as compared with the corresponding period of last year. One of the reasons was that the cosmetics business recorded a segment profit of HK\$58,098,000 for the current period, representing a significant increase of 56.2% over that for the same period last year, which was HK\$37,191,000. The fashion business recorded a segment loss of HK\$2,682,000 for the current period, representing a decrease of HK\$10,655,000 or 133.6% as compared to a profit of HK\$7,973,000 for the same period last year, mainly attributable to the exchange loss of HK\$5,431,000 as a result of the significant depreciation in the currencies of overseas markets, including New Taiwan Dollar, Singapore Dollar and Renminbi, while an exchange gain of HK\$1,793,000 was recorded for the same period last year. Excluding the impact of exchange gain or loss of HK\$7,224,000 in aggregate for both periods, the fashion business recorded a profit of HK\$2,749,000 for the current period, representing a decrease of HK\$3,431,000 or 55.5% as compared with the profit of HK\$6,180,000 for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Cosmetics Business

As of 30th September, 2015, the Group had established 82 **Colourmix** stores (30th September, 2014: 76 stores), of which 77 stores were situated in Hong Kong, 4 stores were situated in Macau and 1 store was situated in China. In August 2015, the Group commenced an additional cosmetics retail business by establishing **MORIMOR** cosmetics stores, and had established 1 store in Hong Kong as of 30th September, 2015. The expansion will continue in the future. For the period under review, cosmetics retail business recorded a turnover of HK\$826,938,000 (2014: HK\$618,286,000), representing an increase of 33.7%, and accounting for 77.6% of the total turnover of the Group. The turnover of comparable stores also increased by 11.5% over the same period last year. The average sales amount also increased from HK\$358 per transaction for the same period last year to HK\$377 per transaction for the current period, representing a year-on-year increase of 5.3%. The gross profit margin of cosmetics business for the period was 35.7%, which was similar as 35.8% of the same period last year. The cosmetics business recorded a segment profit of HK\$58,098,000 during the period, which represented a significant increase of 56.2% when compared with HK\$37,191,000 for the same period last year, mainly attributable to the optimal expansion of the retail stores under the cosmetics business which results in economies of scale achieved by its retail network leading to a corresponding reduction in costs and expenses of the business, and the increase in turnover as compared to that for the corresponding period of the previous year.

Fashion Business

As of 30th September, 2015, the Group had altogether 155 fashion stores in Hong Kong, Macau, Taiwan, Singapore and Mainland China (30th September, 2014: 174 stores). As a result, the fashion business for the period recorded a decrease of 2% in the overall turnover as compared with the same period last year, and the number of stores decreased by 19 as compared with the same period last year. The main reason for the decrease in the number of stores was the restructuring of the Group's retail network in Singapore, China and Taiwan markets during the period by closing down some underperforming stores so as to reduce the negative impact on the overall performance of fashion business. The gross profit margin for fashion business decreased to 70.5% for the current period from 71.7% for the same period last year. Fashion business recorded a segment loss of HK\$2,682,000, as compared with a profit of HK\$7,973,000 for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 78.8% of the total turnover of the fashion business of the Group. For the six months ended 30th September, 2015, turnover from the Hong Kong and Macau market amounted to HK\$188,459,000 (2014: HK\$177,513,000), representing a growth of 6.2% over the same period last year. The gross profit margin decreased by 1.7 percentage points to 71.8% as compared with that for the same period last year and the turnover of comparable stores grew by 2.4% during the period. As of 30th September, 2015, the Group had altogether 80 stores in Hong Kong and Macau as compared to 79 stores for the same period last year.

Fashion Business – Taiwan Market

Turnover of the retail business in Taiwan for the first half of the financial year was HK\$18,304,000 (2014: HK\$24,382,000), representing a decrease of 24.9% over the same period last year, mainly as a result of closing down 8 underperforming stores during the period. As of 30th September, 2015, the Group had 25 stores in Taiwan (30th September, 2014: 31 stores). During the period, a 6.4% growth was recorded in the turnover of comparable stores in Taiwan in local currency terms.

Fashion Business – Singapore Market

During the first half of the financial year, turnover of the retail business in Singapore decreased by 26.6% over the same period last year to HK\$16,755,000 (2014: HK\$22,834,000), mainly as a result of the decrease of the number of stores from 13 stores as at 30th September, 2014 to 9 stores as at the end of the period, by closing down underperforming stores to reduce the negative impact on the overall performance of fashion business. During the period, the turnover of comparable stores increased by 2.6% in local currency terms in Singapore market.

Fashion Business – China Market

During the period under review, turnover of the China market amounted to HK\$15,588,000 (2014: HK\$19,342,000), representing a decrease of 19.4% over the same period last year, primarily due to the decreased number of stores. As of 30th September, 2015, the number of **Veeko** and **Wanko** stores under the Group in China was 41 (30th September, 2014: 51 stores).

PROSPECTS

The Group expects that the challenges faced by the retail business will continue, with cautious consumption sentiments. The management, however, 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 strengthen 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. In respect of business expansion, as of 30th September, 2015, the Group has established 82 **Colourmix** stores, and commenced an additional cosmetics retail business in August 2015 by establishing **MORIMOR** cosmetics stores. As of 30th September, 2015, it had just established 1 store in Hong Kong. The Group will continue to expand in future. **MORIMOR** cosmetics stores offer high-quality trendy skin care and cosmetics products by integrating global premier skin care beauty concepts, with diversified products covering skin care, fragrance, make-up, hairdressing, body care and cosmeceuticals and health food, of which the South Korea series of cosmetics and beauty products are particularly popular among young customers. In addition, professional beauty consultants offer appropriate personal services and consultations on skin care for customers to enjoy the pleasant experience of beauty. To facilitate the future development of the cosmetics business, the Group completed the acquisition of a property located at 3rd Floor, Wyler Centre Phase II, Tai Lin Pai Road, Kwai Chung with a floor area of 25,618 square feet at a consideration of HK\$86,680,000 in April 2015, which will be used for the purpose of expanding its cosmetics warehouse and office. During the period from 1st October, 2015 to 14th November, 2015, sales of the cosmetics business increased by approximately 14.8% year on year, whereas the sales of comparable stores was similar with that of the corresponding period of last year.

Regarding the fashion retail business, the Hong Kong and Macau market accounted for 78.8% of the total turnover of fashion business of the Group. The fashion business will continue to focus on Hong Kong and Macau market in future. In response to the weak retail environment, the Group will continue to actively improve its product design portfolio and enhance the shopping experience of customers in order to cater for the changing market demands. In the overseas markets, the depreciation of currencies in Southeast Asia such as Taiwan and Singapore not only affected the sales figures denominated in Hong Kong Dollar, but also led to increased costs in these markets. The Group will continue to restructure its store portfolio in the overseas markets in a prudent manner, by further closing down underperforming stores to mitigate the negative effects on the fashion retail business as a whole and focusing on the profitable stores.

PROSPECTS *(Continued)*

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.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital decreased from HK\$460,446,000 as at 31st March, 2015 to HK\$455,425,000 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\$98,953,000 (31st March, 2015: HK\$83,379,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$147,546,000 (31st March, 2015: HK\$87,632,000). The borrowings were mainly used for the expansion of cosmetics retail network and balance payments for the acquisition of properties. On 1st April, 2015, the Group completed acquisitions of a property and investment properties, at considerations of HK\$86,680,000 and HK\$3,920,000 respectively.

At the end of the reporting period, the current ratio was 2.79 times (31st March, 2015: 3.63 times) and the gearing ratio of the Group was 0.19 (31st March, 2015: 0.12) which was calculated based on the Group's total borrowings of HK\$147,546,000 (31st March, 2015: HK\$87,632,000) and the total equity of HK\$789,692,000 (31st March, 2015: HK\$745,121,000).

At 30th September, 2015, the Group had banking facilities amounting to HK\$322,834,000 (31st March, 2015: HK\$243,937,000), of which HK\$177,198,000 (31st March, 2015: HK\$130,075,000) 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\$150,027,000 (31st March, 2015: HK\$55,265,000).

CONTINGENT LIABILITIES

At 30th September, 2015, the Company had provided guarantees of HK\$348,133,000 (31st March, 2015: HK\$263,159,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company of which HK\$177,198,000 (31st March, 2015: HK\$130,075,000) was utilised by the subsidiaries.

STAFF AND REMUNERATION POLICIES

At 30th September, 2015, the Group had approximately 2,500 employees (31st March, 2015: approximately 2,400). 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, 2015:

Date of grant	Vesting period	Exercisable period	Exercise price per share	Balance at 1.4.2015	Cancelled during the period	Outstanding at 30.9.2015
7th October, 2013	7th October, 2013 to 6th October, 2016	7th October, 2016 to 6th October, 2018	HK\$0.225	18,040,000	(200,000)	17,840,000
7th October, 2013	7th October, 2013 to 6th October, 2018	7th October, 2018 to 6th October, 2020	HK\$0.225	18,040,000	(200,000)	17,840,000
25th April, 2014	25th April, 2014 to 24th April, 2017	25th April, 2017 to 24th April, 2019	HK\$0.300	4,460,000	–	4,460,000
25th April, 2014	25th April, 2014 to 24th April, 2019	25th April, 2019 to 24th April, 2021	HK\$0.300	4,460,000	–	4,460,000
				45,000,000	(400,000)	44,600,000
				45,000,000	(400,000)	44,600,000

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

As at 30th September, 2015, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Chung Man, Johnny	Founder	1,308,257,768 (Note)	54.76%
	Beneficial owner	173,757,514	7.27%
		<u>1,482,015,282</u>	<u>62.03%</u>
Ms. Lam Yuk Sum (Chief Executive Officer)	Beneficiary of Trust	1,308,257,768 (Note)	54.76%
	Beneficial owner	256,027,462	10.72%
		<u>1,564,285,230</u>	<u>65.48%</u>

Note: These 1,308,257,768 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, 2015, 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, 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Silver Crown	Beneficial owner	1,308,257,768	54.76%
Well Feel Group Limited	Interest of a controlled corporation <i>(Note)</i>	1,308,257,768	54.76%
HSBC International Trustee Limited	Trustee <i>(Note)</i>	1,308,257,768	54.76%

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, 2015, 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, 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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, 2015.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2015 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, 27th November, 2015

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VEEKO INTERNATIONAL HOLDINGS LIMITED

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

香港聯合交易所有限公司主板上市公司

Stock Code 股份代號: 1173