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Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1173)

**ANNOUNCEMENT OF AUDITED RESULTS
FOR THE YEAR ENDED 31ST MARCH, 2014**

AUDITED RESULTS

The board of directors (the “Directors”) of Veeko International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2014 together with the comparative figures for the previous corresponding year, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31st March, 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Turnover	3	1,619,240	1,408,624
Cost of goods sold		(867,993)	(733,663)
Gross profit		751,247	674,961
Selling and distribution costs		(575,243)	(523,564)
Administrative expenses		(116,855)	(111,568)
Other income, gains and losses		(647)	22,939
Increase in fair values of investment properties		80	5,650
Finance costs		(2,048)	(1,699)
Profit before tax		56,534	66,719
Income tax expense	4	(10,774)	(12,478)
Profit for the year	5	45,760	54,241

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>635</u>	<u>468</u>
Total comprehensive income for the year		<u><u>46,395</u></u>	<u><u>54,709</u></u>
Earnings per share	7		
– basic		<u><u>HK2.025 cents</u></u>	<u><u>HK2.444 cents</u></u>
– diluted		<u><u>HK2.017 cents</u></u>	<u><u>HK2.442 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
Non-current Assets			
Investment properties		1,840	1,760
Property, plant and equipment		149,685	153,815
Prepaid lease payments		7,984	8,246
Rental deposits paid		60,934	56,534
Deferred tax assets		8,486	8,604
Certificate of deposit		–	6,253
		<hr/> 228,929 <hr/>	<hr/> 235,212 <hr/>
Current Assets			
Inventories		409,038	357,588
Trade and other receivables	8	57,024	62,597
Prepaid lease payments		262	262
Rental and utility deposits paid		40,545	36,230
Certificate of deposit		6,253	–
Pledged bank deposits		6,500	6,500
Bank balances, deposits and cash		91,279	83,171
		<hr/> 610,901 <hr/>	<hr/> 546,348 <hr/>
Current Liabilities			
Trade and other payables	9	71,916	75,946
Rental deposits received		12	11
Secured bank borrowings			
– due within one year		86,536	75,072
Obligation under a finance lease			
– due within one year		–	105
Tax payable		6,104	2,448
		<hr/> 164,568 <hr/>	<hr/> 153,582 <hr/>
Net Current Assets		<hr/> 446,333 <hr/>	<hr/> 392,766 <hr/>
		<hr/> 675,262 <hr/> <hr/>	<hr/> 627,978 <hr/> <hr/>

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Capital and Reserves		
Share capital	23,153	22,203
Reserves	632,074	599,389
	<hr/> 655,227 <hr/>	<hr/> 621,592 <hr/>
Non-current Liabilities		
Secured bank borrowings		
– due after one year	15,258	1,152
Deferred tax liabilities	4,777	5,234
	<hr/> 20,035 <hr/>	<hr/> 6,386 <hr/>
	<hr/> 675,262 <hr/> <hr/>	<hr/> 627,978 <hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income 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 option to present items of other comprehensive income either before taxation or net of taxation. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ⁴
Amendments to HKFRSs HKFRS 9	Annual Improvements to HKFRSs 2011-2013 Cycle ² Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HKFRS 14	Regulatory Deferral Accounts ⁵
HK(IFRIC) - Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1st January 2014.

² Effective for annual periods beginning on or after 1st July, 2014.

³ Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

⁵ Effective for annual periods beginning on or after 1st January, 2016.

3. TURNOVER AND SEGMENT INFORMATION

Turnover

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

(a) Operating segments

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

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

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

SEGMENT REVENUE AND RESULTS

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

For the year ended 31st March, 2014

	Fashion	Cosmetics	Segment Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
External sales	589,585	1,029,655	1,619,240	–	1,619,240
Inter-segment sales	166	–	166	(166)	–
	<u>589,751</u>	<u>1,029,655</u>	<u>1,619,406</u>	<u>(166)</u>	<u>1,619,240</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>14,343</u>	<u>48,503</u>	<u>62,846</u>	–	62,846
Increase in fair values of investment properties					80
Other income, gains and losses					650
Central administration costs					(4,994)
Finance costs					(2,048)
Profit before tax					<u>56,534</u>

For the year ended 31st March, 2013

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

Inter-segment sales are charged at prevailing market rates.

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

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

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

(b) **Geographical information**

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and Macau	1,439,865	1,210,889
Taiwan	63,619	80,218
Singapore	45,941	50,298
Other regions of the PRC	69,815	67,219
	<u>1,619,240</u>	<u>1,408,624</u>

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

4. INCOME TAX EXPENSE

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	8,854	6,447
Under(over)provision in prior years	452	(61)
	<u>9,306</u>	<u>6,386</u>
Income tax in other jurisdictions		
Current year	3,099	4,738
Overprovision in prior years	(1,257)	(1,272)
	<u>1,842</u>	<u>3,466</u>
Deferred tax		
Current year	(374)	2,626
	<u>10,774</u>	<u>12,478</u>

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

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

5. PROFIT FOR THE YEAR

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	272,145	257,297
Share-based payments	498	72
Retirement benefits scheme contributions	13,890	12,077
	<u>286,533</u>	<u>269,446</u>
Amortisation of prepaid lease payments	266	399
Auditors' remuneration	2,067	2,018
Cost of inventories recognised as expenses (<i>Note 1</i>)	867,993	733,663
Depreciation of property, plant and equipment	38,490	34,018
Bank interest income	(476)	(426)
Interest income from certificate of deposit	(86)	(84)
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments, net (included in other income, gains and losses) (<i>Note 2</i>)	1,580	(17,738)
Net exchange loss (gain) (included in other income, gains and losses)	1,433	(2,500)
Rental income from investment properties, with negligible outgoings	(83)	(74)
	<u><u> </u></u>	<u><u> </u></u>

Note 1: Cost of inventories recognised as expenses included reversal of allowance for inventories of HK\$1,344,000 (2013: HK\$1,149,000).

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

6. DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2014 interim dividend of HK0.5 cent (2013: 2013 interim dividend of HK0.5 cent) per share	11,555	11,096
2013 final dividend of HK0.9 cent (2013: 2012 final dividend of HK0.9 cent) per share	23,080	19,972
	34,635	31,068

In respect of the 2013 final dividend, scrip dividends were offered and were accepted by the majority of shareholders as follows:

	2014 Interim <i>HK\$'000</i>	2013 Final <i>HK\$'000</i>	2013 Interim <i>HK\$'000</i>	2012 Final <i>HK\$'000</i>
Dividends:				
Cash	11,555	3,595	11,096	19,972
Scrip alternative	–	19,485	–	–
	11,555	23,080	11,096	19,972

The 2014 final dividend of HK0.9 cent per share totalling HK\$20,850,000 in cash with a scrip option has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit for the year of HK\$45,760,000 (2013: HK\$54,241,000) and on the weighted average number of ordinary shares of the Company set out below.

	2014	2013
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,260,078,318	2,219,343,805
Effect of dilutive potential ordinary shares:		
Share options	8,858,781	1,428,671
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,268,937,099	2,220,772,476

8. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	36,150	45,228
Other receivables	20,874	17,369
	<hr/>	<hr/>
	57,024	62,597
	<hr/> <hr/>	<hr/> <hr/>

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	13,713	24,047
31 – 60 days	3,718	7,618
61 – 90 days	1,320	1,450
Over 90 days	17,399	12,113
	<hr/>	<hr/>
	36,150	45,228
	<hr/> <hr/>	<hr/> <hr/>

Before accepting any new wholesale customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customer. Credit sales are made to customers with a satisfactory and trustworthy credit history. Credit limits attributed to customers are reviewed regularly. At the end of the reporting period, 83% (2013: 91%) of the trade receivables are neither past due nor impaired. In the opinion of the directors, the trade receivables are of good credit quality and those debtors did not have any default payment history.

9. TRADE AND OTHER PAYABLES

At 31st March, 2014, included in the Group's trade and other payables were trade payables of HK\$27,433,000 (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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	20,576	15,581
31 – 60 days	2,047	4,558
61 – 90 days	1,843	7,312
Over 90 days	2,967	4,644
	<hr/>	<hr/>
	27,433	32,095
	<hr/> <hr/>	<hr/> <hr/>

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.9 cent (2013: HK0.9 cent) per share (each a “Share”) of HK\$0.01 each of the Company in respect of the year ended 31st March, 2014 to shareholders whose names appear on the register of members of the Company on 10th September, 2014 and also to recommend the offer to the shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (“Scrip Dividend Scheme”), subject to the approval of the shareholders on the payment of final dividend at the annual general meeting (“AGM”) of the Company and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Shares to be issued pursuant thereto. The said dividend will be paid on or about 23rd October, 2014. Together with the paid interim dividend of HK0.5 cent (2013: HK0.5 cent) per share, the total dividend for the year will be HK1.4 cents (2013: HK1.4 cents) per share.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31st March, 2014.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As of 31st March, 2014, the Group recorded a turnover of HK\$1,619,240,000 (2013: HK\$1,408,624,000), representing an increase of 15% as compared with the corresponding period last year. Included in the amount of turnover, HK\$1,029,655,000 (2013: HK\$832,798,000) was generated by cosmetics business, representing an increase of 23.6% over the same period last year. The turnover of fashion business reached HK\$589,585,000 (2013: HK\$575,826,000), representing an increase of 2.4% as compared with the same period in the previous year. The gross profit margin of the Group as a whole decreased from last year’s 47.9% to current year’s 46.4%, mainly due to an increase of turnover in cosmetics sales of products with relatively lower gross profit margin. Meanwhile, the gross profit margin of fashion business increased slightly as compared with last year. Profit for the year attributable to the shareholders was HK\$45,760,000 (2013: HK\$54,241,000), representing a decrease of 15.6% as compared with the same period last year, mainly due to a non-recurring gain of approximately HK\$19,159,000 arising from the disposal of a production facility in China to an independent third party last year, while no such income was recorded for the year. There was also an increase of HK\$5,650,000 in the fair value of investment properties in the same period last year, while the fair value of investment properties for the current year only increased by HK\$80,000 because the Group has turned an investment property

for its own use since January 2013 in view of the expansion in cosmetics business. If the impacts of these two exceptional gains were excluded, the aggregate operating results of the Group for the fashion business segment and cosmetic business segment for the year amounted to HK\$62,846,000, representing a substantial growth of 32.6% over the amount of HK\$47,381,000 last year. The increase was mainly attributable to the cosmetic business segment which recorded a segment profit of HK\$48,503,000 during the year (2013: HK\$32,975,000), representing a significant increase of 47.1%. Meanwhile, the fashion business segment recorded a profit of HK\$14,343,000 (2013: HK\$14,406,000), representing a slight decrease of 0.4%.

Fashion Business

As of 31st March, 2014, the turnover of fashion business amounted to HK\$589,585,000 (2013: HK\$575,826,000), representing an increase of 2.4% over the previous year, and accounting for 36.4% of the Group's total turnover. As for segment results, the fashion business recorded a profit of HK\$14,343,000, representing a slight decrease of 0.4% as compared with a profit of HK\$14,406,000 of last year, mainly due to the unsatisfactory performance in the overseas markets. In the first half of the year, the segment results of fashion business recorded only a profit of HK\$1,352,000, representing a significant decrease of 81.2% as compared with the same period last year, partly due to the need of promotional sales for the slow-moving inventories of Taiwan market. However, the impact was temporary, and in fact, this measure has lowered the number of saleable days for inventories of the fashion business by 6 days compared with last year, resulting in a healthier fashion business condition as a whole. The results of fashion business segment for the second half year recorded a robust growth of 80.2% as compared with the same period last year. Throughout the year, the gross profit margin of fashion business increased from last year's 64.6% to 65.1%, representing a growth of 0.5 percentage point.

Fashion Business – Hong Kong and Macau Market

As of 31st March, 2014, the Group had a total of 78 outlets in Hong Kong and Macau (2013: 77 outlets). During the period under review, the turnover from the Hong Kong and Macau market amounted to HK\$421,241,000 (2013: HK\$386,968,000), representing a 8.9% increase over last year and accounting for 71.4% of the total turnover of the Group for the fashion business. During the year, the turnover of comparable outlets also recorded an increase of 1.7%.

Fashion Business – Taiwan Market

The turnover of the retail business in Taiwan for the year was HK\$63,606,000 (2013: HK\$80,128,000), representing a decrease of 20.6% as compare with the corresponding period last year and accounting for 10.8% of the total turnover of the Group's fashion business. As of 31st March, 2014, the Group had 32 outlets in Taiwan (2013: 44 outlets). During the year, the Group closed a total of 12 underperforming outlets in Taiwan, most of which were subject to fixed rental charges, and a one-off expense of approximately HK\$1,300,000 was incurred. While there was an impact on the results for the year, we believe the operational efficiency in the Taiwan market will improve in the future.

Fashion Business – Singapore Market

During the year, the turnover of retail business in Singapore decreased 8.7% as compared with the same period last year to HK\$45,941,000 (2013: HK\$50,298,000), representing 7.8% of the total turnover of the Group's fashion business. As of 31st March, 2014, the Group had 14 outlets in Singapore (2013: 15 outlets).

Fashion Business – China Market

During the period under review, the turnover in the China market amounted to HK\$58,797,000 (2013: HK\$58,432,000), representing an increase of 0.6% over the corresponding period last year and accounting for 10% of the total turnover of the Group's fashion business. As of 31st March, 2014, the total number of the Group's *Veeko* and *Wanko* outlets in China was 59 (2013: 71 outlets). After the restructuring of outlets in the China market over the past few years, the underperforming outlets, in particular those that were subject to fixed rental charges were closed one by one, thereby enhancing the overall operational efficiency. As a result, the China market also contributed to the profit of the Group for the year.

Cosmetics Business

During the year, the Group added 12 *Colourmix* cosmetics outlets and closed 8 outlets. As of 31st March, 2014, the Group had 70 *Colourmix* cosmetics outlets (2013: 66 outlets), which were mainly situated in Hong Kong, Macau and China. The cosmetics retail business of the Group recorded a turnover of HK\$1,029,655,000 (2013: HK\$832,798,000) for the year, representing an increase of 23.6% over the previous year. The turnover of comparable outlets also increased by approximately 20.8% over the corresponding period last year. The gross profit margin of cosmetics business for the year was 35.7%, representing a decrease of 0.7 percentage point as compared with 36.4% recorded last year. As of 31st March, 2014, the cosmetics business recorded a segment profit of approximately HK\$48,503,000, representing a significant increase of 47.1% as compared with HK\$32,975,000 for the same period last year.

PROSPECTS

Fashion Business

The Group anticipates that the challenges faced by the retail business will continue and consumption sentiment will remain cautious. The sales in the overseas market will continue to fluctuate and is not expected to bottom out in the short run. The Group will take prudent measures in the business development of the overseas markets and will closely monitor the market situation. In addition to focusing on the enhancement of the existing retail outlets' efficiencies, the underperforming outlets in the overseas markets will also be restructured so as to improve productivity by integrating resources.

Hong Kong and Macau is still the key market and main income sources for the Group's fashion business which accounted for 71.4% of the total turnover of fashion business during the period under review. In view of the performance advantage of the Hong Kong and Macau market, as compared with the other markets, in terms of sales growth

and gross profit margin, the Group will continue to develop the Hong Kong and Macau market with pragmatic strategies in the future. In the face of rising rental and production costs, the Group will continue to develop the Hong Kong and Macau market by identifying prime locations with competitive rental costs for new outlets and closing the underperforming outlets with expiring leases. The Group will continue to focus on the strengthening of product designs, as well as the enhancement of brand value by offering popular products with relatively higher profit margins.

Cosmetics Business

Cosmetics business continued to contribute to the Group's profit, accounting for 63.6% of the total turnover of the Group during the period. A segment profit of HK\$48,503,000 was recorded, representing an increase of 47.1% as compared with HK\$32,975,000 for the same period last year. During the period, gross profit margin of cosmetics business was 35.7%, representing a decrease of 0.7 percentage point as compared with 36.4% for the same period of last year. Nevertheless, we witnessed an improvement in the decrease of gross profit margin as compared with last year.

As of 31st March, 2014, the Group has already established a chain network of 70 *Colourmix* outlets, reaching a point at which economies of scale were achieved. Our retail network has covered all major shopping malls and even tourist areas in Hong Kong and Macau. With the continued improvement of the image of the outlets through new designs and renovation of the existing outlets, the market position and image of *Colourmix* cosmetics specialty stores have been constantly uplifted. Coupled with the constant enrichment of product portfolios and the addition of fashionable beauty products with exclusive distributorship by the Group, our reputation has been continuously enhanced. As a result, the sales for the year increased by 23.6% year on year with the sales of comparable outlets also recorded a 20.8% growth. The gross profit margin remained roughly the same as the corresponding period last year, with just a slight decrease of 0.7 percentage point. During the period from 1st April, 2014 to 22nd June, 2014, cosmetics business has recorded an increase of approximately 19% in the turnover of comparable outlets.

During the year, the Group stepped up its investment in computer information management for the support of business efficiency improvements through automation and systemisation in areas including operational workflow, inventory planning and resource management. Looking ahead, the Group will focus on internal consolidation, and keep on enriching its product portfolios, adding fashionable beauty products with exclusive distributorship, and conducting staff training to provide quality and professional services. The Group will also continue to identify prime locations with competitive rental costs for new stores in order to expand the outlet network.

Looking forward, the global economy is still full of uncertainties. The management will closely monitor the factors of various market fluctuations and uncertainties, and take appropriate measures in response. The Group will maintain prudent financial and operational management, stringent costs control and strengthened inventory management to lower inventory costs and enhance inventory efficiency. The Group will also continue to provide value-for-money products, focus on staff training for the improvement of overall service quality, and build strong support for the brand by providing quality service to customers. The Group is prudently optimistic about the future development.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK\$392,766,000 as at 31st March, 2013 to HK\$446,333,000 for the year end.

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong dollar and Renminbi) amounted to HK\$97,779,000 (31st March, 2013: HK\$89,671,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$101,794,000 (31st March, 2013: HK\$76,224,000) whereas the total borrowings was HK\$101,794,000 (31st March, 2013: HK\$76,329,000). The increase in total borrowings was mainly attributable to continuous expansion of cosmetics retail network and opening of fashion outlets in Hong Kong. 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 of cosmetic business, and investing in advanced production machinery equipment in plant facilities of fashion business in the Mainland China.

At the end of the reporting period, the current ratio was 3.71 times (31st March, 2013: 3.56 times) and the gearing ratio of the Group was 0.16 (31st March, 2013: 0.12) which was calculated based on the Group's total borrowings of HK\$101,794,000 (31st March, 2013: HK\$76,329,000) and the total equity of HK\$655,227,000 (31st March, 2013: HK\$621,592,000).

At 31st March, 2014, the Group had banking facilities amounting to HK\$235,215,000 (31st March, 2013: HK\$213,690,000), of which HK\$143,235,000 (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. Approximately 42% (2013: 40%) of purchases costs are in foreign currencies for the year. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency risk by entering into forward contracts should the need arises.

PLEDGE OF ASSETS

At the end of the reporting period, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK\$57,135,000 (31st March, 2013: HK\$59,486,000).

CONTINGENT LIABILITIES

At 31st March, 2014, the Company had provided guarantees of HK\$254,192,000 (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\$254,192,000 (31st March, 2013: HK\$111,601,000) was utilised by the subsidiaries.

STAFF & REMUNERATION POLICIES

At 31st March, 2014, the Group had 2,742 employees (31st March, 2013: 2,996). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performance. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and incentive to enhance their loyalty to the Group.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Friday, 29th August, 2014. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 27th August, 2014 to Friday, 29th August, 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to be qualify as members to attend and vote at the AGM, investors are urged to lodge all transfers of shares accompanied by the relevant share certificates and transfer forms with the Company's share registrars in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 26th August, 2014.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

In order to ascertain the entitlement to the proposed final dividend for the year ended 31st March, 2014, the register of members of the Company will be closed from Monday, 8th September, 2014 to Wednesday, 10th September, 2014 (both days inclusive) during which period no transfer of shares will be registered. The last day for dealing in Shares cum entitlements to the proposed final dividend for the year ended 31st March, 2014 will be Wednesday, 3rd September, 2014. Shareholders are reminded that in order to qualify for the entitlement to the proposed final dividend for the year ended 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 5th September, 2014.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the year ended 31st March, 2014.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2014 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results for the year ended 31st March, 2014. The Audit Committee comprises all the three independent non-executive directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement containing all information required by Appendix 16 to the Listing Rules is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under "Latest Listed Company Information" and the Company at <http://www.irasia.com/listco/hk/veeko/index.htm> respectively. The annual report of the Company for the year ended 31st March, 2014 will be dispatched to the shareholders and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 27th June, 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.