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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011**

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, 2011. The results, together with the comparative figures for the corresponding period in 2010, are summarised below:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the six months ended 30th September, 2011

		Six months ended 30th September,	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
Turnover	3	564,514	469,334
Cost of goods sold		(260,025)	(199,112)
Gross profit		304,489	270,222
Selling and distribution costs		(223,579)	(203,186)
Administrative expenses		(64,657)	(53,059)
Other income, gains and losses		4,457	5,403
Increase in fair values of investment properties		1,750	2,710
Finance costs		(328)	(951)

		Six months ended	
		30th September,	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Profit before taxation		22,132	21,139
Income tax (expense) credit	4	(1,509)	566
Profit for the period	5	20,623	21,705
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		742	(1,852)
Total comprehensive income for the period		21,365	19,853
Dividends	6	23,812	11,088
Earnings per share	7		
Basic		HK0.953 cent	HK1.170 cents
Diluted		HK0.948 cent	HK1.164 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2011

	<i>Notes</i>	30th September, 2011 (Unaudited) <i>HK\$'000</i>	31st March, 2011 (Audited) <i>HK\$'000</i>
Non-current Assets			
Investment properties		23,260	21,510
Property, plant and equipment		136,809	127,207
Prepaid lease payments		14,601	14,468
Rental deposits paid		45,958	43,815
Deferred tax assets		5,759	7,189
		226,387	214,189
Current Assets			
Inventories		292,951	227,817
Trade and other receivables	8	56,093	51,897
Prepaid lease payments		440	430
Rental and utility deposits paid		33,632	32,267
Pledged bank deposit		1,220	1,191
Bank balances, deposits and cash		104,214	117,890
		488,550	431,492
Current Liabilities			
Trade and other payables	9	87,450	58,805
Rental deposits received		13	11
Secured bank overdrafts		–	331
Secured bank borrowings			
– due within one year		32,230	9,253
Obligation under a finance lease			
– due within one year		284	273
Tax payable		2,962	3,607
		122,939	72,280
Net Current Assets		365,611	359,212
		591,998	573,401

	30th September, 2011 (Unaudited) <i>HK\$'000</i>	31st March, 2011 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
Capital and Reserves		
Share capital	21,648	21,647
Reserves	560,477	538,889
	<u>582,125</u>	<u>560,536</u>
Non-current Liabilities		
Secured bank borrowings		
– due after one year	5,699	7,804
Obligation under a finance lease		
– due after one year	256	401
Deferred tax liabilities	3,918	4,660
	<u>9,873</u>	<u>12,865</u>
	<u>591,998</u>	<u>573,401</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30th September, 2011 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 of 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2011 except as described below.

- a) In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC)-Int14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

- b) The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurements ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

- ¹ Effective for annual periods beginning on or after 1st July, 2011.
² Effective for annual periods beginning on or after 1st January, 2013.
³ Effective for annual periods beginning on or after 1st July, 2012.
⁴ Effective for annual periods beginning on or after 1st January, 2012.

3. SEGMENT INFORMATION

Operating Segments

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered.

The Group's operating and reportable 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 segments.

	Unaudited six months ended 30th September, 2011				
	Fashion	Cosmetics	Segment Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
Sales of goods	268,412	296,102	564,514	–	564,514
Inter-segment sales	54	–	54	(54)	–
	<u>268,466</u>	<u>296,102</u>	<u>564,568</u>	<u>(54)</u>	<u>564,514</u>
Inter-segment sales are charged at prevailing market rates.					
SEGMENT RESULTS	<u>8,113</u>	<u>14,065</u>	<u>22,178</u>	–	22,178
Increase in fair values of investment properties					1,750
Other income					506
Central administration costs					(1,974)
Finance costs					(328)
Profit before taxation					22,132
Income tax expense					(1,509)
Profit for the period					<u>20,623</u>

Unaudited six months ended 30th September, 2010

	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					
Sales of goods	265,010	204,324	469,334	–	469,334
Inter-segment sales	113	9	122	(122)	–
	<u>265,123</u>	<u>204,333</u>	<u>469,456</u>	<u>(122)</u>	<u>469,334</u>
Inter-segment sales are charged at prevailing market rates.					
SEGMENT RESULTS	<u>9,925</u>	<u>10,362</u>	<u>20,287</u>	–	20,287
Increase in fair values of investment properties					2,710
Other income					1,604
Central administration costs					(2,511)
Finance costs					(951)
Profit before taxation					21,139
Income tax credit					566
Profit for the period					<u>21,705</u>

OTHER SEGMENT INFORMATION

Amounts included in the measurement of segment results:

	Unaudited six months ended 30th September, 2011				
	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	13,495	11,251	24,746	–	24,746
Depreciation of property, plant and equipment	<u>11,712</u>	<u>3,974</u>	<u>15,686</u>	<u>721</u>	<u>16,407</u>

	Unaudited six months ended 30th September, 2010				
	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	6,430	3,017	9,447	–	9,447
Depreciation of property, plant and equipment	<u>11,465</u>	<u>2,932</u>	<u>14,397</u>	<u>354</u>	<u>14,751</u>

4. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30th September,	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
The expense (credit) comprises:		
Profits tax		
Hong Kong Profits Tax	343	566
Other jurisdictions	(190)	(2,140)
Deferred tax	<u>1,356</u>	<u>1,008</u>
	<u>1,509</u>	<u>(566)</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,	
2011	2010
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Profit for the period has been arrived at after charging:

Amortisation of prepaid lease payments	218	205
Depreciation of property, plant and equipment	16,407	14,751
Loss on disposal of property, plant and equipment	437	303
	<u> </u>	<u> </u>

and after crediting:

Gain on disposal of investment properties	–	1,002
Rental income	42	895
Interest income	289	18
	<u> </u>	<u> </u>

6. DIVIDENDS

Six months ended 30th September,	
2011	2010
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Dividends recognised as distribution during the period:

2011 final dividend of HK1.1 cents (2010: HK0.6 cent) per share	23,812	11,088
	<u> </u>	<u> </u>

The 2011 final dividend of HK\$1.1 cents per share in cash has been approved in the annual general meeting held on 6th September, 2011. HK\$23,812,000 cash dividend has been paid on 4th October, 2011.

7. EARNINGS PER SHARE

	Six months ended 30th September,	
	2011 (Unaudited)	2010 (Unaudited)
Earnings:		
Profit for the period and earnings for the purposes of basic and diluted earnings per share	HK\$20,623,000	HK\$21,705,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,164,739,128	1,855,007,855
Effect of dilutive potential ordinary shares in respect of share options	9,592,022	9,924,191
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,174,331,150	1,864,932,046

8. TRADE AND OTHER RECEIVABLES

At 30th September, 2011, included in the Group's trade and other receivables were trade receivables of HK\$38,150,000 (31st March, 2011: HK\$41,569,000). The Group allows 30 to 60 days credit period for receivables from sales counters and an average credit period of 60 to 120 days to its wholesale customers. The following is an aged analysis of trade receivables:

	30th September, 2011 (Unaudited) <i>HK\$'000</i>	31st March, 2011 (Audited) <i>HK\$'000</i>
Within 30 days	22,110	23,085
31 – 60 days	3,346	7,605
61 – 90 days	1,669	2,442
Over 90 days	11,025	8,437
	38,150	41,569

9. TRADE AND OTHER PAYABLES

At 30th September, 2011, included in the Group's trade and other payables were trade payables of HK\$43,497,000 (31st March, 2011: HK\$17,726,000). Details of the aged analysis of the trade payables are as follows:

	30th September, 2011 (Unaudited) HK\$'000	31st March, 2011 (Audited) HK\$'000
Within 30 days	18,761	12,910
31 – 60 days	13,322	2,349
61 – 90 days	6,229	1,879
Over 90 days	5,185	588
	<hr/> 43,497 <hr/>	<hr/> 17,726 <hr/>

INTERIM DIVIDEND

At the Board Meeting held on 29th November, 2011, the Board has resolved to declare the payment of an interim dividend of HK0.60 cent (2011: HK0.60 cent) per share of HK\$0.01 each in cash, with an option for the shareholders to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash (the "Scrip Dividend Scheme") in respect of the financial year ending 31st March, 2012. The interim dividend will be payable on or about Thursday, 9th February, 2012, to the shareholders whose names appeared on the register of members of the Company on Friday, 23rd December, 2011.

A circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to the interim dividend for the year ending 31st March, 2012, the register of members of the Company will be closed from Wednesday, 21st December, 2011 to Friday, 23rd December, 2011 (both days inclusive) during which period no transfer of shares will be registered. The last day for dealing in shares cum entitlements to the interim dividend for the year ending 31st March, 2012 will be Friday, 16th December, 2011. Shareholders are reminded that in order to qualify for the interim dividend for the year ending 31st March, 2012, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 20th December, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September, 2011, the Group recorded a turnover of HK\$564,514,000 (2010: HK\$469,334,000), representing an increase of 20.3% as compared with the corresponding period last year. Included in the amount of turnover was HK\$296,102,000 (2010: HK\$204,324,000) generated by the cosmetics business, representing a significant increase of 44.9% over the same period last year and accounting for 52.5% of the Group's total turnover. Turnover of the fashion business reached HK\$268,412,000 (2010: HK\$265,010,000), representing an increase of 1.3% as compared with the same period in the preceding year. The gross profit margin of the Group as a whole decreased by 3.7 percentage points from 57.6% of the same period last year to 53.9%, which was mainly due to increase of cosmetics business sales with relatively lower gross profit margin. The overall operating profit for the period was HK\$20,623,000 (2010: HK\$21,705,000), representing a decrease of 5.0% as compared to the same period last year. One of the reasons was the increase in fair value of investment properties of HK\$1,750,000 for the period, representing a decrease of HK\$960,000 as compared to the increase in fair value of investment properties of HK\$2,710,000 in the same period last year. In addition, there was a gain of HK\$1,002,000 on disposal of investment properties in the same period last year but no such gain was recorded in this period, which resulted in a decrease in overall operating profit as compared to the same period last year. During the period, cosmetics business remained the growth driver of the Group's results and recorded a segment profit of HK\$14,065,000, representing an increase of 35.7% over that of the same period last year, which was HK\$10,362,000. In overall, there was a significant increase in contribution of cosmetics business to the Group, whereas the fashion business recorded a segment profit of HK\$8,113,000, representing a decrease of 18.3% as compared to that of HK\$9,925,000 for the same period last year.

Fashion Business

As of 30th September, 2011, the Group had altogether 231 outlets in Hong Kong, Macau, Taiwan, Singapore and Mainland China (30th September, 2010: 246 outlets). Despite the fact that the number of outlets has decreased by 15 as compared to the same period last year, the turnover of the fashion business amounted to HK\$268,412,000 (2010: HK\$265,010,000) for the period, representing an increase of 1.3% over the same period last year, and accounting for 47.5% of the Group's total turnover. The reason for the decrease in number of outlets compared to last year was that the Group has restructured its retail network in Taiwan and China markets during the period by closing down some underperforming outlets so as to enhance operation efficiency. During the period, the gross profit margin of the fashion business remained at 70.3%, which was similar to that for the same period last year. The fashion business recorded a segment profit of HK\$8,113,000 representing a decrease of 18.3% as compared to HK\$9,925,000 for the same period last year. The decrease in profit was mainly due to soaring costs and expenses, which referred especially to the raise of minimum wages and the imposition

of levies such as the urban maintenance and construction tax and the educational surcharges on foreign enterprises in Mainland China since the beginning of this year, which resulted in the increase in operating costs of the Group's production and retail business in Mainland China, and thus led to the drop in profit of the fashion business for the period.

Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 59.1% of the total turnover of fashion business of the Group. For the six months ended 30th September, 2011, turnover from the Hong Kong and Macau market amounted to HK\$158,564,000 (2010: HK\$150,200,000), representing a 5.6% increase over the same period last year, and the turnover of comparable outlets also recorded an increase of 8.1%. As of 30th September, 2011, the Group had altogether 72 outlets in Hong Kong and Macau (30th September, 2010: 72 outlets).

Fashion Business – Taiwan Market

Turnover of the retail business in Taiwan for the first half of the financial year was HK\$41,249,000 (2010: HK\$44,907,000), representing a decrease of 8.1% over the same period last year. As of 30th September, 2011, the Group had 44 outlets in Taiwan (30th September, 2010: 52 outlets).

Fashion Business – Singapore Market

During the first half of the financial year, turnover of the retail business in Singapore increased 6.6% over the same period last year to HK\$28,955,000 (2010: HK\$27,165,000). As of 30th September, 2011, the Group had 15 outlets in Singapore (30th September, 2010: 16 outlets).

Fashion Business – China Market

During the period under review, turnover of the China market amounted to HK\$39,644,000 (2010: HK\$42,738,000), representing a decrease of 7.2% over the same period last year. The decrease in turnover is mainly due to the closing of some local outlets that borne fixed rentals but brought unsatisfactory benefits. The China market accounted for 14.8% of the total turnover of fashion business of the Group. As of 30th September, 2011, the number of *Veeko* and *Wanko* outlets in China was 100 (30th September, 2010: 106 outlets).

Cosmetics Business

As of 30th September, 2011, the Group had established 53 *Colourmix* outlets (30th September, 2010: 40 outlets), of which 48 outlets were situated in Hong Kong and 5 outlets were situated in Macau. For the period under review, cosmetics retail business of the Group recorded a turnover of HK\$296,102,000 (2010: 204,324,000), representing a significant increase of 44.9%, and accounted for 52.5% of the total turnover of the Group. The turnover of comparable outlets also increased by 18.2% over the same period last year. The gross profit margin of cosmetics business for the period was 39.2%, representing a decrease of 1.9 percentage points as compared to 41.1% of the same period last year. The cosmetics business recorded a segment profit of HK\$14,065,000 during the period, which represented a significant increase of 35.7% when compared with that of HK\$10,362,000 for the same period last year, and the cosmetics business remained the growth driver of the Group's results.

PROSPECTS

Fashion Business

In respect of the fashion business, the soaring prices of raw materials and salaries of the production workforce have added pressure on the Group's production costs in China. However, the Group has continued to intensify its investment in advanced production machinery equipment, enhance overall production effectiveness, strengthen product design, and provide more popular products with higher profit margin, such that the gross profit margin of the fashion business for the period remained at 70.3%, which was similar to that of the same period last year. Regarding the development of outlet network, confronting the lingering uncertainty in the global economy, the Group will expand its business in a more prudent manner. It will maintain the existing number of outlets in Hong Kong and Macau, and will focus on enhancing the sales of comparable outlets and growth in gross profit margin. As to the overseas markets, the Group will, through prudent evaluation, close down underperforming outlets and identify prime locations with competitive rents for opening of new outlets. It will also reinforce inventory management and cost control to enhance operational effectiveness.

Cosmetics Business

Cosmetics business continued to be the main growth driver for the Group, as it has been contributing to the Group's profit continuously since the financial year 2007/2008, and the segment profit for the period even surged drastically by 35.7% to HK\$14,065,000 over the same period last year. The overall turnover has increased 44.9% year-over-year, and same-store sales also recorded an increase of 18.2%. Average sales amount per transaction was up 12% year-over-year, while the number of transactions also increased 29.2%. For the period, gross profit margin of cosmetics business was 39.2%, representing a decrease of 1.9 percentage points from 41.1% of same period last year, which was mainly due to opening of outlets in influential tourist attractions, since which *Colourmix* has enhanced its position and image gradually in the market and become well known among tourists from Mainland China and hence increased its popularity. However, the gross profit margin of those outlets in the tourist attractions would be lower in the starting period of their businesses, and the gross profit margin of such will rise after the tourists becoming familiar to the products with exclusive distributorship. During the period, the number of outlets had increased to 53 from 40 as of 30th September, 2010, and of such 13 newly opened outlets, approximately 8 outlets are situated in tourist attractions. During the six-month period under review, the *Colourmix* outlet network had added 8 outlets, comparing to a net increase of 3 outlets over the same period last year, the Group needs to deploy experienced staff to support the newly opened outlets, and made special adjustments in inventory planning to cope with such rapid increase. It is confident that the cosmetics business will achieve improvement after such consolidation stage becomes stabilized. Currently, sales of exclusively distributed branded products accounted for about 42% of total sales of the cosmetics business. In the future, the Group will keep on enriching the product portfolio, increasing the variety of cosmetics products with exclusive distributorship and trendy cosmetics products, and training employees to provide quality and professional services. The management is confident about the future development of the cosmetics business and will expand outlet network according to existing pace. Apart from Hong Kong and Macau, the Group is also considering the feasibility of developing cosmetics business in China.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK\$359,212,000 as at 31st March, 2011 to HK\$365,611,000 for the period end.

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong Dollars and Renminbi), amounted to HK\$105,434,000 (31st March, 2011: HK\$119,081,000). The outstanding bank borrowings (mainly in Hong Kong Dollars) amounted to HK\$37,929,000 (31st March, 2011: HK\$17,388,000 including bank overdrafts) whereas the total borrowings was HK\$38,469,000 (31st March, 2011: HK\$18,062,000). The increase in the total borrowings was mainly attributable to the expansion of cosmetics retail network in Hong Kong and Macau. During the period, the increase in number of cosmetics outlets is 8 which led to increase in rental deposits and stock purchases for these newly opened outlets. The capital expenditure for the period was HK\$24,746,000 (2010: HK\$9,447,000). The increase in the capital expenditure was mainly attributable to the increased investment in advanced production machinery equipment in plant facilities of fashion business in Mainland China. Besides, the Group has launched new design image for *Veeko* outlets in fashion business, some of the *Veeko* outlets were renovated with new image during the period. In addition, the Group has incurred capital expenditure for decoration of newly opened cosmetics outlets for the period.

At the end of the reporting period, the current ratio was 3.97 times (31st March, 2011: 5.97 times) and the gearing ratio of the Group was 0.07 (31st March, 2011: 0.03) which was calculated based on the Group's total borrowings of HK\$38,469,000 (31st March, 2011: HK\$18,062,000) and the total equity of HK\$582,125,000 (31st March, 2011: HK\$560,536,000).

As at 30th September, 2011, the Group had banking facilities amounting to HK\$149,445,000 (31st March, 2011: HK\$164,318,000), of which HK\$60,026,000 (31st March, 2011: HK\$37,123,000) 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

Certain purchases of several subsidiaries of the Company are denominated and settled in foreign currencies (mainly in Euro and United States Dollar), 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\$49,503,000 (31st March, 2011: HK\$48,401,000).

CONTINGENT LIABILITIES

At 30th September, 2011, the Company had provided guarantees of HK\$153,995,000 (31st March, 2011: HK\$171,189,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company of which HK\$60,026,000 (31st March, 2011: HK\$36,909,000) was utilised by the subsidiaries.

STAFF AND REMUNERATION POLICIES

At the end of the reporting period, the Group had 3,198 employees. The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performances. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and incentive to enhance their loyalty to the Group.

CORPORATE GOVERNANCE

The Group has complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months ended 30th September, 2011.

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") of 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.

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

During the six months ended 30th September, 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2011 have been reviewed by the Audit Committee. The Audit Committee constitutes 3 independent non-executive directors.

As at the date of this announcement, the directors of the Company are as follows:

Executive directors

Mr. Cheng Chung Man, Johnny
Ms. Lam Yuk Sum

Independent non-executive directors

Mr. Fok Kam Chu, John
Mr. Yang Wei Tak
Mr. Yeung Wing Kay

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

Hong Kong, 29th November, 2011