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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, 2012**

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, 2012 together with the comparative figures for the previous corresponding year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2012

	<i>Notes</i>	2012 HK\$’000	2011 HK\$’000
Turnover	3	1,279,537	1,111,421
Cost of goods sold		(621,365)	(505,031)
Gross profit		658,172	606,390
Selling and distribution costs		(459,807)	(426,560)
Administrative expenses		(141,099)	(125,466)
Other income, gains and losses		10,295	15,735
Increase in fair values of investment properties		3,100	3,460
Finance costs		(1,342)	(1,353)
Profit before tax		69,319	72,206
Income tax expense	4	(8,913)	(5,470)
Profit for the year	5	60,406	66,736

	<i>Note</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		1,763	(3,115)
Reclassification of exchange differences upon dissolution of a subsidiary		(2,037)	–
		<hr/>	<hr/>
Other comprehensive expense for the year		(274)	(3,115)
		<hr/>	<hr/>
Total comprehensive income for the year		60,132	63,621
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	7		
– basic		HK2.780 cents	HK3.376 cents
		<hr/> <hr/>	<hr/> <hr/>
– diluted		HK2.771 cents	HK3.359 cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current Assets			
Investment properties		24,610	21,510
Property, plant and equipment		141,197	127,207
Prepaid lease payments		14,558	14,468
Rental deposits paid		49,231	43,815
Deferred tax assets		7,536	7,189
Certificate of deposit		6,176	–
		<hr/> 243,308 <hr/>	<hr/> 214,189 <hr/>
Current Assets			
Inventories		299,472	227,817
Trade and other receivables	8	50,891	51,897
Prepaid lease payments		446	430
Rental and utility deposits paid		34,309	32,267
Pledged bank deposit		1,235	1,191
Bank balances, deposits and cash		106,178	117,890
		<hr/> 492,531 <hr/>	<hr/> 431,492 <hr/>
Current Liabilities			
Trade and other payables	9	68,744	58,805
Rental deposits received		8	11
Secured bank overdrafts		–	331
Secured bank borrowings			
– due within one year		57,596	9,253
Obligation under a finance lease			
– due within one year		296	273
Tax payable		6,179	3,607
		<hr/> 132,823 <hr/>	<hr/> 72,280 <hr/>
Net Current Assets		<hr/> 359,708 <hr/>	<hr/> 359,212 <hr/>
		<hr/> 603,016 <hr/>	<hr/> 573,401 <hr/>

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Capital and Reserves		
Share capital	22,191	21,647
Reserves	572,734	538,889
	<hr/> 594,925 <hr/>	<hr/> 560,536 <hr/>
Non-current Liabilities		
Secured bank borrowings		
– due after one year	3,720	7,804
Obligation under a finance lease		
– due after one year	105	401
Deferred tax liabilities	4,266	4,660
	<hr/> 8,091 <hr/>	<hr/> 12,865 <hr/>
	<hr/> 603,016 <hr/> <hr/>	<hr/> 573,401 <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 also comply with applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) and 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 HKICPA.

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

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.

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

Amendments to HKFRSs Amendments to HKFRS 7 Amendments to HKFRS 7	Annual Improvements 2009-2011 Cycle ² Disclosures – Transfers of Financial Assets ¹ Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 7 and HKFRS 9 HKFRS 9 HKFRS 10 HKFRS 11 HKFRS 12 HKFRS 13	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³ Financial Instruments ³ Consolidated Financial Statements ² Joint Arrangements ² Disclosures of Interests in Other Entities ² Fair Value Measurement ²
Amendments to HKAS 1 Amendments to HKAS 12 HKAS 19 (as revised in 2011) HKAS 27 (as revised in 2011) HKAS 28 (as revised in 2011) Amendments to HKAS 32 HK(IFRIC)-Int 20	Presentation of Items of Other Comprehensive Income ⁵ Deferred Tax – Recovery of Underlying Assets ⁴ Employee Benefits ² Separate Financial Statements ² Investments in Associates and Joint Ventures ² Offsetting Financial Assets and Financial Liabilities ⁶ 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 January, 2015.
- ⁴ Effective for annual periods beginning on or after 1st January, 2012.
- ⁵ Effective for annual periods beginning on or after 1st July, 2012.
- ⁶ Effective for annual periods beginning on or after 1st January, 2014.

Amendments to HKAS 12 “Deferred Tax – Recovery of Underlying Assets”

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The directors anticipate that the amendments to HKAS 12 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1st April, 2012 and the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised regarding the Group’s investment properties. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may decrease deferred tax liabilities recognised for investment properties that are measured using the fair value model.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the fair value of amounts received and receivable for goods sold, net of discounts, returns, allowances 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 resources allocation and assessment of segment performance focuses on types of goods delivered.

The Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are Fashion and Cosmetics, of which principal activities are as follows:

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

SEGMENT REVENUE AND RESULTS

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

For the year ended 31st March, 2012

	Fashion	Cosmetics	Segment Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
External sales	592,127	687,410	1,279,537	–	1,279,537
Inter-segment sales	244	–	244	(244)	–
	<u>592,371</u>	<u>687,410</u>	<u>1,279,781</u>	<u>(244)</u>	<u>1,279,537</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>35,465</u>	<u>35,537</u>	<u>71,002</u>	–	71,002
Increase in fair values of investment properties					3,100
Other income					892
Central administration costs					(4,333)
Finance costs					(1,342)
Profit before tax					<u>69,319</u>

For the year ended 31st March, 2011

	Fashion HK\$'000	Cosmetics HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	623,799	487,622	1,111,421	–	1,111,421
Inter-segment sales	158	18	176	(176)	–
	<u>623,957</u>	<u>487,640</u>	<u>1,111,597</u>	<u>(176)</u>	<u>1,111,421</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>47,774</u>	<u>25,143</u>	<u>72,917</u>	–	72,917
Increase in fair values of investment properties					3,460
Other income					2,497
Central administration costs					(5,315)
Finance costs					<u>(1,353)</u>
Profit before tax					<u>72,206</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, other income, central administration costs and finance costs. This is the measure reported to the executive directors for the purposes of resources 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 resources 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"). The Group's revenue from external customers by geographical location of operations is detailed below:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong and Macau	1,060,107	854,915
Taiwan	90,843	110,045
Singapore	54,169	55,580
Other regions of the PRC	74,418	90,881
	<u>1,279,537</u>	<u>1,111,421</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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	7,635	3,350
(Over)underprovision in prior years	(237)	157
	<u>7,398</u>	<u>3,507</u>
Income tax in other jurisdictions		
Current year	2,124	2,157
Overprovision in prior years	(630)	(2,969)
PRC withholding tax	779	–
	<u>2,273</u>	<u>(812)</u>
Deferred tax		
Current year	(758)	2,245
Attributable to a change in tax rate	–	530
	<u>(758)</u>	<u>2,775</u>
	<u>8,913</u>	<u>5,470</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. During the year ended 31st March, 2011, the income tax rate in Taiwan was changed from 20% to 17% and it resulted in a decrease in opening deferred tax assets of the relevant subsidiary.

5. PROFIT FOR THE YEAR

	2012 <i>HK\$'000</i>	2011 <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	244,845	222,063
Share-based payments	406	544
Retirement benefits scheme contributions	10,821	9,531
	<u>256,072</u>	<u>232,138</u>
Amortisation of prepaid lease payments	439	418
Auditors' remuneration	2,075	2,010
Cost of inventories recognised as expenses (<i>note</i>)	621,365	505,031
Depreciation of property, plant and equipment	33,463	31,027
Bank interest income	(511)	(151)
Interest income from certificate of deposit	(35)	–
Loss on disposal of property, plant and equipment	1,023	688
Gain on disposal of investment properties (included in other income, gains and losses)	–	(1,002)
Gain on dissolution of a subsidiary (included in other income, gains and losses)	(2,037)	–
Net exchange gain (included in other income, gains and losses)	(6,041)	(10,736)
Rental income from investment properties, with negligible outgoings	(72)	(1,346)
	<u><u> </u></u>	<u><u> </u></u>

Note: Cost of inventories recognised as expenses included allowance for inventories of HK\$1,722,000 (2011: HK\$348,000).

6. DIVIDENDS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2012 interim dividend of HK0.6 cent (2011: 2011 interim dividend of HK0.6 cent) per share	15,404	11,509
2011 final dividend of HK1.1 cents (2011: 2010 final dividend of HK0.6 cent) per share	23,812	13,691
	39,216	25,200

In respect of the 2012 interim dividend (2011: 2011 interim dividend and 2010 final dividend), scrip dividends were offered and were accepted by the majority of shareholders as follows:

	2012 Interim <i>HK\$'000</i>	2011 Final <i>HK\$'000</i>	2011 Interim <i>HK\$'000</i>	2010 Final <i>HK\$'000</i>
Dividends:				
Cash	2,465	23,812	2,996	1,204
Scrip alternative	12,939	–	8,513	12,487
	15,404	23,812	11,509	13,691

The 2012 final dividend of HK0.9 cent per share totaling HK\$19,972,000 in cash 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 attributable to the owners of the Company of HK\$60,406,000 (2011: HK\$66,736,000) and on the weighted average number of ordinary shares of the Company set out below.

	2012	2011
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,172,492,967	1,976,836,633
Effect of dilutive potential ordinary shares:		
Share options	7,711,397	9,651,104
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,180,204,364	1,986,487,737

8. TRADE AND OTHER RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	39,523	41,569
Other receivables	11,368	10,328
	<hr/> 50,891 <hr/>	<hr/> 51,897 <hr/>

The Group allows a 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 presented based on the invoice date at the end of the reporting period:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days	19,001	23,085
31 – 60 days	5,741	7,605
61 – 90 days	1,150	2,442
Over 90 days	13,631	8,437
	<hr/> 39,523 <hr/>	<hr/> 41,569 <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, 88% (2011: 89%) 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, 2012, included in the Group's trade and other payables were trade payables of HK\$22,148,000 (2011: HK\$17,726,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days	9,194	12,910
31 – 60 days	5,865	2,349
61 – 90 days	1,432	1,879
Over 90 days	5,657	588
	<hr/> 22,148 <hr/>	<hr/> 17,726 <hr/>

DIVIDEND

The Board of Directors is pleased to resolve that a final dividend of HK0.9 cent (2011: HK1.1 cents) per share shall be proposed at the forthcoming annual general meeting. The said dividend will be paid on or about 5th October, 2012 to shareholders whose names appear on the register of members of the Company on 14th September, 2012. Together with the paid interim dividend of HK0.6 cent (2011: HK0.6 cent) per share, the total dividend for the year will be HK1.5 cents (2011: HK1.7 cents) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As of 31st March, 2012, the Group recorded a turnover of HK\$1,279,537,000 (2011: HK\$1,111,421,000), representing an increase of 15.1% as compared with the corresponding period last year. Included in the amount of turnover was HK\$687,410,000 (2011: HK\$487,622,000) generated by the cosmetics business, representing an increase of 41% over the same period last year. Turnover of the fashion business reached HK\$592,127,000 (2011: HK\$623,799,000), representing a decrease of 5.1% as compared with the same period in the preceding year. The gross profit margin of the Group as a whole decreased from 54.6% of last year to 51.4% for the current year, which was mainly due to increase of cosmetics business sales with relatively lower gross profit margin. Profit for the year attributable to the shareholders was HK\$60,406,000 (2011: HK\$66,736,000), representing a decrease of 9.5% as compared to the same period last year. During the year, the segment results of fashion business recorded a profit of HK\$35,465,000, representing a decrease of 25.8% as compared with a profit of HK\$47,774,000 for last year. Cosmetics business recorded a segment profit of HK\$35,537,000 during the year, representing an increase of 41.3% over that of the corresponding period last year, which was HK\$25,143,000.

Fashion Business

As of 31st March, 2012, turnover of the fashion business amounted to HK\$592,127,000 (2011: HK\$623,799,000), representing a decrease of 5.1% over the previous year, and accounting for 46.3% of the Group's total turnover. As for segment results, that of the fashion business recorded a profit of HK\$35,465,000, representing a decrease of 25.8% as compared with HK\$47,774,000 of last year. During the year, the gross profit margin of fashion business increased from 66.7% of last year to 67.5%, representing an increase of 0.8 percentage point.

Fashion Business – Hong Kong and Macau Market

As of 31st March, 2012, the Group had altogether 69 outlets in Hong Kong and Macau (2011: 70 outlets). During the period under review, turnover from the Hong Kong and Macau market amounted to HK\$374,493,000 (2011: HK\$367,558,000), representing an 1.9% increase over last year and accounted for 63.2% of the total turnover of fashion business of the Group. During the year, the turnover of comparable outlets also recorded an increase of 4.6%.

Fashion Business – Taiwan Market

Turnover of the retail business in Taiwan for the year was HK\$90,654,000 (2011: HK\$109,780,000), representing a decrease of 17.4% over the corresponding period last year and amounted to 15.3% of the total turnover of fashion business of the Group. As of 31st March, 2012, the Group had 47 outlets in Taiwan (2011: 51 outlets).

Fashion Business – Singapore Market

During the year, turnover of the retail business in Singapore decreased 2.5% over the same period last year, to HK\$54,169,000 (2011: HK\$55,580,000), representing 9.1% of the total turnover of fashion business of the Group. As of 31st March, 2012, the Group had 15 outlets in Singapore (2011: 16 outlets).

Fashion Business – China Market

During the period under review, turnover of the China market amounted to HK\$72,811,000 (2011: HK\$90,881,000), representing a decrease of 19.9% over the corresponding period last year, and accounted for 12.4% of the total turnover of fashion business of the Group. As of 31st March, 2012, the number of *Veeko* and *Wanko* outlets in China was 87 (2011: 108 outlets).

Cosmetics Business

As of 31st March, 2012, the Group had established 57 *Colourmix* cosmetics outlets (2011: 45 outlets), which were mainly situated in Hong Kong, Macau and China. For the year, cosmetics retail business of the Group recorded a turnover of HK\$687,410,000 (2011: HK\$487,622,000), representing an increase of 41% over last year. The turnover of comparable outlets also increased by approximately 14.4% over the corresponding period last year. The gross profit margin of cosmetics business for the year was 37.6%, representing a decrease of 1.5 percentage points as compared to 39.1% of last year. As of 31st March, 2012, the cosmetics business recorded a segment profit of approximately HK\$35,537,000, which represented an increase of 41.3% when compared with that of HK\$25,143,000 for the same period last year, which continued to be the major source for the growth in the Group's results.

PROSPECTS

Fashion Business

In respect of fashion business, through increased investment in advanced production machinery equipment in the previous year, the overall production effectiveness was enhanced to offset the rise in salaries of the production workforce and other production costs. In addition, through strengthening product designs, and providing popular products with higher profitability, the gross profit margin of fashion business for the year managed to maintain and slightly increased 0.8 percentage point to 67.5%. Regarding the outlet network expansion, given the growth of sales and gross profit margin in Hong Kong market resulting in an outstanding performance as compared to

other overseas markets, the Group will actively increase the number of outlets in Hong Kong in the future. However, the Group will formulate a prudent strategy on the opening of outlets by identifying prime locations with competitive rents. As to the overseas markets, the Group will close down underperforming outlets in order to enhance operational effectiveness. In the future, the Group will focus on the growth of sales of comparable outlets, and further raise the gross profit margin by reducing production cost and markdowns, so as to mitigate the pressure from the increase in rental cost.

Cosmetics Business

Cosmetics business continued to be the main growth driver for the Group. The turnover for the year increased 41% over last year, and turnover from comparable outlets also recorded an increase of 14.4%. Segment profit increased by 41.3% to HK\$35,537,000. Average sales amount per transaction was up 12.8% year-on-year, while the number of transactions also increased 25.4%. As at the end of this financial year, the number of outlets reached 57, principally located at Hong Kong, Macau and China. In January 2012, the Group opened its first *Colourmix* store in China in order to test the response of China market and the performance is up to our expectation. For the year, gross profit margin of cosmetics business was 37.6%, representing a decrease of 1.5 percentage points from 39.1% of 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 year, the number of outlets had increased to 57 from 45 as of 31st March, 2011, and of such 12 net increase outlets, 8 outlets are situated in tourist attractions. In the past two years, the Group has been expanding by opening more than 10 outlets each 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 40% 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.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK\$359,212,000 as at 31st March, 2011 to HK\$359,708,000 for the year end.

At the end of the reporting date, the Group's cash and bank balances (mainly in Hong Kong dollars and Renminbi) amounted to HK\$107,413,000 (31st March, 2011: HK\$119,081,000). The outstanding bank borrowings (mainly in Hong Kong Dollars) amounted to HK\$61,316,000 (31st March, 2011: HK\$17,388,000 including bank overdrafts) whereas the total borrowings was HK\$61,717,000 (31st March, 2011: HK\$18,062,000). The increase in bank borrowings was mainly attributable to the continuing expansion of cosmetics retail network in Hong Kong and Macau. During the year, the net increase in number of cosmetics outlets is 12 which led to increase in capital expenditure, rental deposits and stock purchases for these newly opened outlets. The capital expenditure for the year was HK\$45,858,000 (31st March, 2011: HK\$22,745,000). The increase in the capital expenditure was mainly attributable to the decoration of newly opened cosmetics outlets for the year. 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 year. In addition, the Group has made investment 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, 2011: 5.97 times) and the gearing ratio of the Group was 0.10 (31st March, 2011: 0.03) which was calculated based on the Group's total borrowings of HK\$61,717,000 (31st March, 2011: HK\$18,062,000) and the total equity of HK\$594,925,000 (31st March, 2011: HK\$560,536,000).

As at 31st March, 2012, the Group had banking facilities amounting to HK\$158,739,000 (31st March, 2011: HK\$164,318,000), of which HK\$88,799,000 (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

Several subsidiaries of the Company have foreign currency purchases (mainly in Euro and United States Dollar), which expose the Group to foreign currency risk. Approximately 33% (2011: 26%) 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 date, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK\$50,192,000 (31st March, 2011: HK\$48,401,000).

CONTINGENT LIABILITIES

At 31st March, 2012, the Company had provided guarantees of HK\$163,206,000 (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\$88,799,000 (31st March, 2011: HK\$36,909,000) was utilised by the subsidiaries.

STAFF & REMUNERATION POLICIES

At the end of the reporting period, the Group had 3,336 employees (31st March, 2011: 3,197). 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.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company is scheduled to be held on Wednesday, 5th September, 2012. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3rd September, 2012 to Wednesday, 5th September, 2012 (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 31st August, 2012.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

In order to ascertain the entitlement to the proposed final dividend for the year ended 31st March, 2012, the register of members of the Company will be closed from Wednesday, 12th September, 2012 to Friday, 14th September, 2012 (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, 2012 will be Friday, 7th September, 2012. Shareholders are reminded that in order to qualify for the entitlement to the proposed final dividend for the year ended 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 for registration not later than 4:30 p.m. on Tuesday, 11th September, 2012.

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 Code on Corporate Governance Practices in Appendix 14 to the Listing Rules throughout the year ended 31st March, 2012.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2012 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, 2012. The Audit Committee comprises all the three independent non-executive directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement for the year ended 31st March, 2012 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, 2012 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, 25th June, 2012

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