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, 2010

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, 2010. The results, together with the comparative figures for the corresponding period in 2009, are summarised below:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2010

		Six months ended 30th September,	
			(Restated)
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**469,334**	371,888
Cost of goods sold		**(199,112)**	(146,252)
Gross profit		**270,222**	225,636
Selling and distribution costs		**(203,186)**	(172,117)
Administrative expenses		**(53,059)**	(52,976)
Other income, gains and losses		**5,403**	7,292
Increase in fair values of investment properties		**2,710**	4,260
Finance costs		**(951)**	(1,008)

		Six months ended 30th September,	
			(Restated)
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Profit before taxation		**21,139**	11,087
Income tax credit	4	**566**	249
Profit for the period	5	**21,705**	11,336
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		**(1,852)**	(3,325)
Total comprehensive income for the period		**19,853**	8,011
Dividends	6	**11,088**	3,690
Earnings per share	7		
Basic		**HK1.17 cents**	HK0.63 cent
Diluted		**HK1.16 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2010

	Notes	30th September, 2010 (Unaudited) HK$'000	(Restated) 31st March, 2010 (Audited) HK$'000
Non-current Assets			
Investment properties		**20,760**	38,650
Property, plant and equipment		**116,774**	124,493
Prepaid lease payments		**14,016**	11,913
Rental deposits paid		**45,334**	42,227
Deferred tax assets		**6,923**	10,103
		203,807	227,386
Current Assets			
Inventories		**254,255**	212,867
Trade and other receivables	8	**49,717**	41,711
Prepaid lease payments		**410**	342
Rental and utility deposits paid		**28,485**	24,938
Tax recoverable		**2,003**	1,470
Pledged bank deposit		**1,000**	1,000
Bank balances and cash		**58,140**	31,549
		394,010	313,877
Current Liabilities			
Trade and other payables	9	**71,112**	64,716
Rental deposits received		**695**	1,005
Secured bank borrowings			
– due within one year		**42,930**	51,229
Secured bank overdrafts		**–**	26
Obligation under a finance lease			
– due within one year		**262**	251
Tax payable		**1,363**	3,988
		116,362	121,215
Net Current Assets		**277,648**	192,662
		481,455	420,048

	Notes	30th September, 2010 (Unaudited) *HK$'000*	(Restated) 31st March, 2010 (Audited) *HK$'000*
Capital and Reserves			
Share capital		**20,087**	18,449
Reserves		**445,828**	385,292
		465,915	403,741
Non-current Liabilities			
Secured bank borrowings			
– due after one year		**10,587**	9,801
Obligation under a finance lease			
– due after one year		**540**	674
Deferred tax liabilities		**4,413**	5,832
		15,540	16,307
		481,455	420,048

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30th September, 2010 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, 2010 except as described below.

a) In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for current or prior accounting periods except:

Amendment to HKAS 17 Leases and change in accounting policy

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in the reclassification of prepaid lease payments with a previous carrying amount of HK$3,329,000 at 1st April, 2010 to property, plant and equipment that are measured at cost model and the measurement of leasehold land and buildings to cost less accumulated depreciation instead of revalued amounts less subsequent accumulated depreciation and accumulated impairment losses. The change in accounting policy has been applied retrospectively.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) *(Continued)*

The effects of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated statement of comprehensive income are as follows:

	Unaudited six months ended 30th September, 2010		Unaudited six months ended 30th September, 2009	
	HKAS 17 (Amendment) for land *HK$'000*	**Change to cost model for buildings** *HK$'000*	HKAS 17 (Amendment) for land *HK$'000*	Change to cost model for buildings *HK$'000*
Decrease in depreciation under cost of sales	**–**	**162**	–	58
(Increase) decrease in depreciation under administrative expenses	**(45)**	**219**	(45)	144
Decrease in amortization of leasehold land under administrative expenses	**45**	**–**	45	–
Decrease in surplus on revaluation of leasehold land and buildings	**–**	**(991)**	–	(1,414)
Total decrease in profit for the period	**–**	**(610)**	–	(1,212)
Increase (decrease) in basic earnings per share	**–**	**HK0.03 cent**	–	HK(0.08) cent
Increase in diluted earnings per share	**–**	**HK0.03 cent**	–	N/A

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(a) *(Continued)*

The effects of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated statement of financial position are as follows:

	Unaudited as at 30th September 2010		As at 31st March 2010		As at 31st March 2009	
	HKAS 17 (Amendment) for land	**Change to cost model for buildings**	HKAS 17 (Amendment) for land	Change to cost model for buildings	HKAS 17 (Amendment) for land	Change to cost model for buildings
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Increase (decrease) in property, plant and equipment	**3,283**	**(26,559)**	3,329	(19,514)	3,417	(14,387)
Decrease in prepaid lease payments	**(3,283)**	**–**	(3,329)	–	(3,417)	–
Decrease in deferred tax liabilities	**–**	**(1,977)**	–	(1,401)	–	(774)
Decrease in property revaluation reserve	**–**	**(14,896)**	–	(8,707)	–	(6,073)
Decrease in retained earnings	**–**	**(9,686)**	–	(9,406)	–	(7,540)

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets[6]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1st February, 2010.

3 Effective for annual periods beginning on or after 1st July, 2010.

4 Effective for annual periods beginning on or after 1st January, 2011.

5 Effective for annual periods beginning on or after 1st January, 2013.

6 Effective for annual periods beginning on or after 1st July, 2011.

3. **SEGMENT INFORMATION**

Business Segments

The Group operates and manages the business segments as strategic organisational units for internal financial reporting purposes and determined that business segments by products are its primary reporting segments. As a result, the Group's operations was organised into two reporting segments comprising manufacture and sale of ladies fashion and sale of cosmetics. Segment information about these businesses is presented below:

	Unaudited six months ended 30th September, 2010				
	Fashion *HK$'000*	Cosmetics *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER					
Sales of goods	**265,010**	**204,324**	**469,334**	**–**	**469,334**
Inter-segment sales	**113**	**9**	**122**	**(122)**	**–**
	265,123	**204,333**	**469,456**	**(122)**	**469,334**

Inter-segment sales are charged at prevailing market rates.

SEGMENT RESULT	**9,925**	**10,362**	**20,287**		**20,287**
Increase in fair values of investment properties					**2,710**
Other income					**1,604**
Central administrative costs					**(2,511)**
Finance costs					**(951)**
Profit before taxation					**21,139**
Income tax credit					**566**
Profit for the period					**21,705**

3. **SEGMENT INFORMATION** *(Continued)*

Business Segments *(Continued)*

	Unaudited six months ended 30th September, 2009				
			(Restated)		
			Segment		
	Fashion	Cosmetics	Total	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER					
Sales of goods	260,652	111,236	371,888	–	371,888
Inter-segment sales	20	1	21	(21)	–
	260,672	111,237	371,909	(21)	371,888

Inter-segment sales are charged at prevailing market rates.

SEGMENT RESULT	3,804	5,001	8,805		8,805
Increase in fair values of investment properties					4,260
Other income					1,268
Central administrative costs					(2,238)
Finance costs					(1,008)
Profit before taxation					11,087
Income tax credit					249
Profit for the period					11,336

4. **INCOME TAX CREDIT**

	Six months ended 30th September,	
		(Restated)
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The credit comprises:		
Profits tax		
Hong Kong Profits Tax	**566**	250
Other jurisdictions	**(2,140)**	(2,257)
Deferred tax	**1,008**	1,758
	(566)	(249)

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period. 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, 2010 (Unaudited) *HK$'000*	(Restated) 2009 (Unaudited) *HK$'000*
Profit for the period has been arrived at after charging:		
Amortisation of prepaid lease payments	**205**	172
Depreciation of property, plant and equipment	**14,751**	15,187
Loss on disposal of property, plant and equipment	**303**	213
and after crediting:		
Gain on disposal of investment properties	**1,002**	–
Rental income	**895**	1,243
Interest income	**18**	23

6. DIVIDENDS

	Six months ended 30th September, 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Dividends recognised as distribution during the period:		
2010 final dividend of HK0.6 cent (2009: HK0.2 cent) per share	**11,088**	3,690

The 2010 final dividend of HK$0.6 cent per share in cash with a scrip option has been approved in the annual general meeting held on 9th September, 2010. HK$1,204,000 cash dividend has been paid and 32,018,262 scrip shares have been allotted and issued on 20th October, 2010.

7. EARNINGS PER SHARE

	Six months ended 30th September, 2010 (Unaudited)	(Restated) 2009 (Unaudited)
Earnings:		
Profit for the period and earnings for the purposes of basic and diluted earnings per share	**HK$21,705,000**	HK$11,336,000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,855,007,855**	1,805,590,525
Effect of dilutive potential ordinary shares in respect of share options *(Note)*	**9,924,191**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,864,932,046**	–

Note: No diluted earnings per share has been presented for the corresponding period of last year because the exercise price of the Company's options was higher than the average market price for shares for the period ended 30th September, 2009.

8. TRADE AND OTHER RECEIVABLES

At 30th September, 2010, included in the Group's trade and other receivables were trade receivables of HK$35,850,000 (31st March, 2010: HK$31,769,000). 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, 2010 (Unaudited) *HK$'000*	31st March, 2010 (Audited) *HK$'000*
Within 30 days	**22,210**	16,641
31 – 60 days	**4,816**	5,438
61 – 90 days	**387**	2,716
Over 90 days	**8,437**	6,974
	35,850	31,769

9. **TRADE AND OTHER PAYABLES**

At 30th September, 2010, included in the Group's trade and other payables were trade payables of HK$31,318,000 (31st March, 2010: HK$22,723,000). Details of the aged analysis of the trade payables are as follows:

	30th September, 2010	31st March, 2010
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 30 days	**15,580**	13,897
31 – 60 days	**6,316**	2,569
61 – 90 days	**5,813**	3,305
Over 90 days	**3,609**	2,952
	31,318	22,723

INTERIM DIVIDEND

At the Board Meeting held on 26th November, 2010, the Board has resolved to declare the payment of an interim dividend of HK0.60 cent (2010: HK0.20 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, 2011. The interim dividend will be payable on or about 9th February, 2011, to the shareholders whose names appeared on the register of members of the Company on 16th December, 2010.

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, 2011, the register of members of the Company will be closed from 13th December, 2010 to 16th December, 2010 (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, 2011 will be 8th December, 2010. Shareholders are reminded that in order to qualify for the interim dividend for the year ending 31st March, 2011, all transfers of shares accompanied by the relevant share certificate and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10th December, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th September, 2010, the Group recorded a turnover of HK$469,334,000 (2009: HK$371,888,000), representing an increase of 26.2% as compared with the corresponding period of last year. Included in the amount of turnover was HK$204,324,000 (2009: HK$111,236,000) generated by the cosmetic business, representing a significant increase of 83.7% over the same period of last year, which constituted 43.5% (2009: 29.9%) to the total turnover of the Group. Turnover of the fashion business amounted to HK$265,010,000 (2009: HK$260,652,000), representing an increase of 1.7% as compared with the same period in the previous year, while the Group's overall gross profit margin was 57.6%, representing a decrease of 3.1 percentage points as compared with the corresponding period of last year, which was 60.7% (restated). This was mainly due to the significant increase in the sales of the cosmetic business with relatively lower gross profit margin. The overall operating profit for the period was HK$21,705,000 (2009 (restated): HK$11,336,000), representing an increase of 91.5% over that of the corresponding period in last year. The cosmetic business continued to contribute profits to the Group and recorded a segmental profit of HK$10,362,000 during the period, representing a significant increase of 107.2% over that of the corresponding period in last year, which was HK$5,001,000, as well as a significant increase in contribution of the overall cosmetic business to the Group. On the other hand, the fashion business recorded a segmental profit of HK$9,925,000, also representing a significant increase of 160.9% over that of the corresponding period in last year, which was HK$3,804,000 (restated). Moreover, the increase in fair value of investment properties amounted to HK$2,710,000 for the period.

Fashion business

Fashion Business – Hong Kong and Macau Market

Fashion retail business in Hong Kong and Macau represents 56.7% of the total turnover of the Group's fashion business. For the six months ended 30th September, 2010, turnover of Hong Kong and Macau market amounted to HK$150,200,000 (2009: HK$140,072,000), representing an increase of 7.2% over that of the corresponding period in last year. As at 30 September, 2010, the Group has set up a total of 72 outlets in Hong Kong and Macau (2009: 72 outlets). In future, the Group will endeavor to improve product quality for strengthened competitiveness in order to keep on enhancing its gross profit margin, while the number of outlets will be maintained at a comparable level as existing.

Fashion Business – Taiwan

Turnover of fashion retailing in Taiwan for the first half of the current financial year was HK$44,907,000 (2009: HK$51,028,000), a drop of 12% from the corresponding period of last year. As at 30th September, 2010, the number of outlets in Taiwan was 52 (2009: 54 outlets). In future, the Group will strictly control costs and expenses, improve product quality and continue to develop the local market in a prudent manner.

Fashion Business – Singapore Market

For the first half of the current financial year, retail business in Singapore recorded a turnover of HK$27,165,000 (2009: HK$23,995,000), an increase of 13.2% over the corresponding period of last year. As at 30th September, 2010, the Group has established 16 outlets in Singapore (2009: 17 outlets). In future, the Group is dedicated to maintaining the current number of outlets and securing the retail business there.

Fashion Business – China Market

During the period under review, the business in China market recorded a turnover of HK$42,738,000 (2009: HK$45,557,000), representing a decrease of 6.2% over the corresponding period last year and accounted for 16.1% of the total turnover of fashion business of the Group. As at 30th September, 2010, the number of ***Veeko*** and ***Wanko*** outlets under the Group in China totalled 106 (2009: 126 outlets). For the financial year of 2009, just when expanding the China market, the Group opened a number of outlets that borne fixed rentals but was not able to achieve the standard of effectiveness, hence, the Group has closed down these loss-making outlets successively since last year (i.e. financial year of 2010), such that the turnover went down as the number of outlets decreased. Although there was write off of one-off expenses or compensation expenditures which still affected the results of the fashion business in China for the period as the number of outlets recorded a net decrease of 20 as compared with that of the corresponding period of last year, most of the loss-making outlets to be closed down are expected to complete their restructuring within this financial year, and the Group will focus on the re-opening of outlets without fixed rentals burden in department stores. Thus, it created a stronger and healthier condition than ever for the overall business in China and laying a more solid foundation for future development.

Cosmetic Business

As at 30th September, 2010, the Group has established a total of 40 ***Colourmix*** outlets (2009: 31 outlets), of which 38 outlets were situated in Hong Kong, while 2 outlets were situated in Macau. During the period under review, cosmetic business of the Group recorded a turnover of HK$204,324,000 (2009: HK$111,236,000), representing a 83.7% significant increase and accounting for 43.5% of the total turnover of the Group, whereas the turnover of comparable outlets recorded a 16.4% increase. During the period, the cosmetic business recorded a segmental profit of HK$10,362,000, which represented a significant increase of 107.2% when compared with that of HK$5,001,000 for the same period last year, and a remarkable growth.

PROSPECT

Fashion Business

In respect of fashion business, through consolidation of plant facilities in the PRC and increased investment in advanced production machinery equipment in the previous year, the overall production effectiveness was enhanced significantly and the gross profit margin of the fashion business was obviously improved for the period, which brought an increase in profits. Regarding the outlet network expansion, the number of outlets in Hong Kong and Macau, Taiwan and Singapore will maintain at an approximate level to the existing number whilst the future focus will be on the growth of sales of comparable outlets and gross profit margin. The highlights for future development will be placed on China market as the Group has been closing down outlets with unsatisfactory effectiveness successively since the financial year of 2010. Although the turnover went down as the number of outlets decreased, the negative effects posed by these loss-making outlets on results alleviated accordingly, and the measures implemented has been yielding results during the period. As most of the loss-making outlets to be closed down are expected to complete their restructuring within this financial year, the Group will focus on the re-opening of outlets without fixed rentals burden in department stores, thus creating a stronger and healthier condition than ever for the overall business in China and laying a more solid foundation for future development. Besides, it is expected that there will be a significant increase in the number of outlets in China after closing down of these loss-making outlets, and an increase in the contribution from the business generated in China to the Group's profit. In future, the management will deploy more resources for the development of the retail market in China.

Cosmetic Business

The cosmetic business has been continuously developing rapidly and contributing profits to the Group since the financial year of 2008, and its contribution during the period even surged drastically by 107.2% to HK$10,362,000 when compared with that of the same period last year, while sales of comparable outlets also recorded a growth of 16.4% and the number of outlets as at 30th September, 2010 reached 40. Since the opening of influential outlets in tourist attractions in Canton Road, Tsimshatsui and Causeway Place, etc. in December 2009, ***Colourmix*** has its position and image gradually enhanced in the market and become well known among tourists from the Mainland China and hence increased its popularity. At present, sales of exclusively distributed branded products accounts for approximately 41% of the total sales of the cosmetic business. Moreover, the Group will also keep on enriching its product portfolio, increasing the variety of exclusively distributed and trendy cosmetic products, and training employees to provide quality and professional services. In addition, the Group also launched an online shopping platform in November 2010 in order to further diversify its business. Looking forward to the sales performance during the second half of the year, as at the date hereof (ie. from October to November 2010), the sales during the period maintained the momentum of the double-digit growth during the first half of the year, hence, the management is fully confident about the future development of the cosmetic business that it will expedite outlet network expansion. In addition to Hong Kong and Macau, the Group has also hastened the discussion on the feasibility of developing cosmetic retailing business in the Mainland China.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK$192,662,000 (restated) as at 31st March, 2010 to HK$277,648,000 for the period end.

As at the balance sheet date, the Group's cash and bank balances, amounted to HK$59,140,000 (31st March, 2010: HK$32,549,000). The outstanding bank borrowings and overdraft amounted to HK$53,517,000 (31st March, 2010: HK$61,056,000) whereas the total borrowings was HK$54,319,000 (31st March, 2010: HK$61,981,000). The bank loans and overdrafts of the Group were taken out mainly in Hong Kong dollars.

As at the balance sheet date, the current ratio was 3.39 times (31st March, 2010: 2.59 times) and the gearing ratio of the Group was 0.12 (31st March, 2010: 0.15) which was calculated based on the Group's total borrowings of HK$54,319,000 (31st March, 2010: HK$61,981,000) and the total equity of HK$465,915,000 (31st March, 2010 (restated): HK$403,741,000).

As at 30th September, 2010, the Group had banking facilities amounting to HK$147,597,000 (31st March, 2010: HK$144,902,000), of which HK$71,748,000 (31st March, 2010: HK$76,611,000) 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.

CAPITAL STRUCTURE

On 20 September 2010, the Company issued and allotted 150,000,000 new shares to certain independent third parties. The net proceed of the subscription amounted to HK$39,300,000 has been received in cash and was retained as general working capital for the purpose of expanding cosmetic retail business in Hong Kong and Macau and opening counters at department stores for the fashion retail business in the Mainland China.

FOREIGN EXCHANGE EXPOSURE

Certain purchases of several subsidiaries of the Company are denominated and settled in foreign currency. 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

As at the balance sheet date, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK$48,136,000 (31st March, 2010: HK$66,702,000).

CONTINGENT LIABILITIES

At 30th September, 2010, the Company had provided guarantees of HK$160,939,000 (31st March, 2010: HK$158,408,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company of which HK$71,535,000 (31st March, 2010: HK$76,398,000) was utilised by the subsidiaries.

STAFF AND REMUNERATION POLICIES

As at 30th September, 2010, the Group had 3,446 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, 2010.

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, 2010, 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, 2010 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	Cheng Chung Man, Johnny Lam Yuk Sum
Independent non-executive directors	Cheng Chung Hoo Yang Wei Tak Yeung Wing Kay

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

Hong Kong, 26th November, 2010