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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, 2016**

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, 2016 together with the comparative figures for the previous corresponding year, as follows:

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

For the year ended 31st March, 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Turnover	3	2,226,463	1,996,920
Cost of goods sold		(1,300,266)	(1,112,543)
Gross profit		926,197	884,377
Selling and distribution costs		(713,215)	(633,591)
Administrative expenses		(137,288)	(128,679)
Other income, gains and losses		4,742	1,112
Increase in fair value of investment properties		154	560
Finance costs		(3,779)	(2,281)
Profit before tax		76,811	121,498
Income tax expense	4	(17,878)	(19,057)
Profit for the year	5	58,933	102,441

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Other comprehensive (expense) income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>(1,925)</u>	<u>5,189</u>
Total comprehensive income for the year		<u>57,008</u>	<u>107,630</u>
Earnings per share	7		
– basic		<u>HK2.467 cents</u>	<u>HK4.365 cents</u>
– diluted		<u>HK2.456 cents</u>	<u>HK4.354 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current Assets			
Investment properties		6,650	2,400
Property, plant and equipment		235,359	148,692
Prepaid lease payments		7,155	7,722
Rental deposits paid		77,113	63,135
Deposits paid for acquisition of property, plant and equipment		–	59,892
Deposits paid for acquisition of investment properties		–	2,517
Deferred tax assets		7,257	9,893
		<u>333,534</u>	<u>294,251</u>
Current Assets			
Inventories		487,192	449,580
Trade and other receivables	8	41,094	56,442
Prepaid lease payments		252	262
Rental and utility deposits paid		51,603	45,943
Pledged bank deposits		6,235	6,500
Bank balances, deposits and cash		74,226	76,879
		<u>660,602</u>	<u>635,606</u>
Current Liabilities			
Trade and other payables	9	74,255	78,185
Rental deposits received		17	12
Secured bank borrowings – due within one year		161,056	82,487
Tax payable		2,184	14,476
		<u>237,512</u>	<u>175,160</u>
Net Current Assets		<u>423,090</u>	<u>460,446</u>
		<u><u>756,624</u></u>	<u><u>754,697</u></u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Capital and Reserves		
Share capital	23,888	23,888
Reserves	728,801	721,233
	<u>752,689</u>	<u>745,121</u>
Non-current Liabilities		
Secured bank borrowings		
– due after one year	–	5,145
Deferred tax liabilities	3,935	4,431
	<u>3,935</u>	<u>9,576</u>
	<u>756,624</u>	<u>754,697</u>

Notes:

1. BASIS OF PREPARATION

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

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to 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 disclosures set out in these consolidated financial statements.

New and revised HKFRS issued but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ⁴
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ²

- ¹ Effective for annual periods beginning on or after 1st January, 2018.
- ² Effective for annual periods beginning on or after 1st January, 2016.
- ³ Effective for annual periods beginning on a date to be determined.
- ⁴ Effective for annual periods beginning on or after 1st January, 2019.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash payments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and these lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The directors of the Company will assess the impact of application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detail review.

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

3. TURNOVER AND SEGMENT INFORMATION

Turnover

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

(a) Operating segments

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

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

- Cosmetics – Sale of cosmetics
- Fashion – Manufacture and sale of ladies fashion

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, 2016

	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External sales	1,722,866	503,597	2,226,463	–	2,226,463
Inter-segment sales	–	200	200	(200)	–
	<u>1,722,866</u>	<u>503,797</u>	<u>2,226,663</u>	<u>(200)</u>	<u>2,226,463</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT (LOSS)	<u>94,019</u>	<u>(8,850)</u>	<u>85,169</u>	–	85,169
Increase in fair value of investment properties					154
Other income, gains and losses					440
Central administration costs					(5,173)
Finance costs					(3,779)
Profit before tax					<u>76,811</u>

For the year ended 31st March, 2015

	Cosmetics HK\$'000	Fashion HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	1,448,848	548,072	1,996,920	–	1,996,920
Inter-segment sales	–	268	268	(268)	–
	<u>1,448,848</u>	<u>548,340</u>	<u>1,997,188</u>	<u>(268)</u>	<u>1,996,920</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>110,427</u>	<u>17,213</u>	<u>127,640</u>	–	127,640
Increase in fair value of investment properties					560
Other income, gains and losses					594
Central administration costs					(5,015)
Finance costs					<u>(2,281)</u>
Profit before tax					<u>121,498</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 value of investment properties, certain other income, gains and losses, central administration costs and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

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

(b) **Geographical information**

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong and Macau	2,112,982	1,856,834
Taiwan	37,416	48,533
Singapore	33,178	42,262
Other regions of the PRC	42,887	49,291
	<u>2,226,463</u>	<u>1,996,920</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**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	11,572	17,352
Overprovision in prior years	(5)	(6)
	<u>11,567</u>	<u>17,346</u>
Income tax in other jurisdictions		
Current year	4,840	4,410
Overprovision in prior years	(570)	(848)
	<u>4,270</u>	<u>3,562</u>
Deferred tax		
Current year	2,041	(1,851)
	<u>17,878</u>	<u>19,057</u>

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

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

5. PROFIT FOR THE YEAR

	2016 <i>HK\$'000</i>	2015 <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	296,520	283,192
Share-based payments	726	859
Retirement benefits scheme contributions	15,300	14,023
	<u>312,546</u>	<u>298,074</u>
Amortisation of prepaid lease payments	256	264
Auditors' remuneration		
– audit services	2,126	2,109
– non-audit services	569	777
Cost of inventories recognised as expenses (<i>Note</i>)	1,300,266	1,112,543
Depreciation of property, plant and equipment	41,256	40,266
Bank interest income	(279)	(499)
Loss on disposal of property, plant and equipment, net (included in other income, gains and losses)	1,315	378
Net exchange (gain) loss (included in other income, gains and losses)	(40)	2,609
Rental income from investment properties, with negligible outgoings	(1,003)	(95)
	<u><u> </u></u>	<u><u> </u></u>

Note: Cost of inventories recognised as expenses included reversal of allowance for inventories of HK\$3,884,000 (2015: allowance for inventories of HK\$9,327,000).

6. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2016 interim dividend of HK0.8 cent (2015: 2015 interim dividend of HK0.7 cent) per share	19,111	16,701
2015 final dividend of HK1.3 cents (2015: 2014 final dividend of HK0.9 cent) per share	31,055	20,342
	<u>50,166</u>	<u>37,043</u>

In respect of the 2015 final dividend, cash dividends were offered and were accepted by the majority of shareholders as follows:

	2016 Interim <i>HK\$'000</i>	2015 Final <i>HK\$'000</i>	2015 Interim <i>HK\$'000</i>	2014 Final <i>HK\$'000</i>
Dividends:				
Cash	19,111	31,055	16,701	3,711
Scrip alternative	–	–	–	16,631
	<u>19,111</u>	<u>31,055</u>	<u>16,701</u>	<u>20,342</u>

The 2016 final dividend of HK0.5 cent per share totalling HK\$11,944,000 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 for the year of HK\$58,933,000 (2015: HK\$102,441,000) and on the weighted average number of ordinary shares of the Company set out below.

	2016	2015
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,388,884,410	2,346,954,827
Effect of dilutive potential ordinary shares:		
Share options	11,019,278	6,090,994
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,399,903,688</u>	<u>2,353,045,821</u>

8. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	18,304	25,416
Other receivables	22,790	31,026
	<u>41,094</u>	<u>56,442</u>

The Group allows 30 to 60 days credit period for receivables from sales counters and a credit period of 60 to 120 days to its wholesale customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	11,833	17,227
31 – 60 days	1,429	1,482
61 – 90 days	932	275
Over 90 days	4,110	6,432
	<u>18,304</u>	<u>25,416</u>

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, 90% (2015: 93%) of the trade receivables are neither past due nor impaired. In the opinion of the directors of the Company, 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, 2016, included in the Group's trade and other payables were trade payables of HK\$23,507,000 (2015: HK\$29,464,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	16,114	23,222
31 – 60 days	2,968	1,433
61 – 90 days	2,005	2,431
Over 90 days	2,420	2,378
	<u>23,507</u>	<u>29,464</u>

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.5 cent (2015: HK1.3 cents) per share (each a “Share”) of HK\$0.01 each of the Company in respect of the year ended 31st March, 2016 to shareholders whose names appear on the register of members of the Company on 21st September, 2016. The said dividend will be paid on 17th October, 2016. Together with the paid interim dividend of HK0.8 cent (2015: HK0.7 cent) per share, the total dividend for the year will be HK1.3 cents (2015: HK2.0 cents) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As of 31st March, 2016, the Group recorded a turnover of HK\$2,226,463,000 (2015: HK\$1,996,920,000), representing an increase of 11.5% as compared with the same period last year. Included in the amount of turnover, HK\$1,722,866,000 (2015: HK\$1,448,848,000) was generated by cosmetics business, representing an increase of 18.9% over the same period last year and 77.4% of the Group’s total turnover (2015: 72.6%). The turnover of fashion business reached HK\$503,597,000 (2015: HK\$548,072,000), representing a 8.1% decrease as compared with the same period in the previous year. The gross profit margin of the fashion business was 65.5%, representing a decrease of 1.9 percentage points as compared with 67.4% for the same period last year. The gross profit margin of the cosmetics business for the year was 34.6%, representing a decrease of 1 percentage point as compared with 35.6% of the same period last year. The profit attributable to the shareholders for the year was HK\$58,933,000 (2015: HK\$102,441,000), representing a decrease of 42.5% over the same period last year. Such decline was mainly due to a loss of HK\$8,850,000 recorded from the fashion business segment for the current year, which dropped HK\$26,063,000 as compared with the profit of HK\$17,213,000 for the same period last year. The cosmetics business recorded a segment profit of HK\$94,019,000, representing a decrease of 14.9% as compared with the profit of HK\$110,427,000 for the same period last year.

Cosmetics Business

As of 31st March, 2016, the Group had 85 *Colourmix* stores (31st March 2015: 81 stores), of which 80 stores were located in Hong Kong, 4 stores were in Macau, and 1 store was in the PRC. In August 2015, the Group established another cosmetics store namely *MORIMOR*. As of 31st March, 2016, 6 *MORIMOR* stores have been set up in Hong Kong. *MORIMOR* cosmetics stores offer high-quality trendy skin care and cosmetics products by integrating global premier skin care beauty concepts, with diversified products covering skin care, fragrance, make-up, hairdressing, body care and cosmeceuticals and health food, of which the South Korea series of cosmetics and beauty products are particularly popular among young customers. In addition, professional beauty consultants offer appropriate personal services and consultations on skin care for customers to enjoy the pleasant experience of beauty. For the year under review, cosmetics retail business recorded a turnover of HK\$1,722,866,000 (2015: HK\$1,448,848,000), representing an increase of 18.9% and accounting for 77.4% of the Group’s total turnover. The gross profit margin of the cosmetics business for the year was 34.6%, representing a decrease of 1 percentage point as compared with 35.6% for

the same period last year. The cosmetics business for the year recorded a segment profit of HK\$94,019,000, representing a decline of 14.9% as compared with the profit of HK\$110,427,000 for the same period last year and a slightly increase of 1% was recorded in the turnover of comparable stores, mainly attributable to a decline in consumption power in Hong Kong and Macau regions. In the meantime, the depreciation of Renminbi (“RMB”) also weakened the consumption power of tourists from Mainland China, resulting in a decrease in number of trips. The cosmetics business still contributed substantial profit to the Group’s results.

Fashion Business

As of 31st March, 2016, the Group had altogether 131 fashion stores in Hong Kong, Macau, Taiwan, Singapore and Mainland China (31st March, 2015: 165 stores). The main reason for the decrease in number of stores as compared to the same period last year was that the Group has restructured its retail network in overseas markets, mainly in Taiwan, during the year. At the end of March 2016, the fashion retail operation in Taiwan has been practically ceased its operation to alleviate the negative impact on the overall results of fashion business in the future. During the year under review, the retail market of Hong Kong was largely sluggish. Coupled with the exceptionally warm weather during the winter season in 2015, which led to a more intense competition in the fashion retail industry, it resulted in a decline of 8.1% in the Group’s turnover of the fashion business. The gross profit margin of the fashion business decreased by 1.9 percentage points to 65.5% as compared with the same period last year. It was mainly attributable to the more proactive sales promotion launched by the Group during the year, coupled with the clearance sales before closure of the business in Taiwan market. The fashion business recorded a segment loss of HK\$8,850,000, representing a decline of HK\$26,063,000 as compared with the profit of HK\$17,213,000 for the same period last year.

Fashion business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 79.6% of the Group’s total turnover in fashion business. During the year ended 31st March, 2016, the turnover of Hong Kong and Macau market reached HK\$401,011,000 (2015: HK\$421,022,000), representing a decrease of 4.8% as compared with the same period last year. The gross profit margin of Hong Kong and Macau regions dropped by 0.9 percentage point to 68.4% as compared with same period last year, and the turnover of comparable stores for the year also recorded a decrease of 7.7%. As of 31st March, 2016, the Group has a total of 82 stores established in Hong Kong and Macau (31st March, 2015: 82 stores).

Fashion Business – Singapore Market

The retail business in Singapore recorded a turnover of HK\$33,178,000 (2015: HK\$42,262,000) for the year, representing a decrease of 21.5% as compared with the same period last year. As of 31st March, 2016, the Group had 8 stores in Singapore (31st March, 2015: 10 stores). Over the past few years, the market environment in Singapore has been very challenging, and the Group has closed down under-performing

stores to alleviate the negative impact on the overall results of the fashion business. For the year under review, the turnover of comparable stores increased by 7.9% in local currency terms as compared with the same period last year. However, the comparable stores sales growth was weakened by weak exchange rates against Hong Kong dollar during the year, which not only affected the sales figures denominated in Hong Kong dollar, but also resulted in an increase of procurement costs. It will remain as a tough market going forward.

Fashion Business – China Market

The turnover of the China market reached HK\$31,992,000 (2015: HK\$36,258,000), representing a decrease of 11.8% as compared with the same period last year, which was mainly due to a decrease in the number of stores. As of 31st March, 2016, the Group had a total of 38 *Veeko* and *Wanko* stores in China (31st March, 2015: 47 stores).

PROSPECTS

Owing to the weak consumption sentiment of local citizens and tourists, the retail market in Hong Kong currently encounters a major challenge. Looking forward, the challenges faced by the retail business are expected to continue, while consumption sentiments will remain cautious. Despite the unfavorable market conditions, the Group will continue to seek opportunities for growth. Given the slowdown in the retail market and a decline in rental charges for stores located in the prime districts, it is expected that rental cost pressure will be reduced for stores with lease terms expiring in the coming year. With the weakening trend of RMB, the fashion business can also benefit from the reduction in production costs, somewhat relieving the situation as mentioned above.

The cosmetics business remains the Group's main source of revenue. However, the retail environment in Hong Kong is anticipated to remain severe. With the strong Hong Kong dollar and the depreciation of some Asian currencies including RMB enable more visitors and Hong Kong residents travelling to other regions in Asia and thus reducing their spending in Hong Kong. We expect this situation will continue for a certain period of time, and will inevitably have negative impact on the retail business. As a result of above factors, during the months of April and May in 2016, a decline of approximately 20% was recorded in the turnover of comparable stores for the cosmetic business; while during the period from 1st June, 2016 to 19th June, 2016, a decline of approximately 7% was recorded (Financial Year 2015/16 1st Quarter: +21.9%). In response to such challenges, the Group will continue to enrich the product portfolio, increase trendy beauty products with exclusive distributorship, conduct staff training on providing quality professional services, and step up internal consolidation. It will also continue to expand the store network of *Colourmix* and *MORIMOR* strategically with a prudent attitude. To cope with the future development of the cosmetics business, the Group has completed the acquisition of a property at 3/F, Wyler Centre Phase II, Tai Lin Pai Road, Kwai Chung with a floor area of 25,618 square feet in April 2015 at a consideration of HK\$86,680,000. The acquired property is used for the purpose of expanding its cosmetics warehouse and office unit.

Regarding the fashion retail business, the Hong Kong and Macau market accounted for 79.6% of the total turnover of fashion business of the Group. The fashion retail business will continue to focus primarily on the Hong Kong and Macau market. To cope with the stagnant retail environment as well as to meet constantly changing needs in the market, the Group will continue to optimise product designs and improve customers' shopping experience. As for the overseas markets, the Group has practically ceased the fashion retail operation in Taiwan at the end of March 2016. This will not only alleviate the negative impact on the overall results of the fashion business in the future, but will also allow the allocation of resources to other businesses under the Group. The Group will continue to be cautious in the adjustment of the overseas stores portfolio. Underperforming stores will be closed for redeployment of resources to profitable stores.

The Group is prudently optimistic about its future development and believes that opportunities exist alongside with challenges. In an environment which is full of challenges, the management will continue to closely monitor the future market for various fluctuations and uncertainties and take appropriate measures accordingly. In the meantime, the Group will remain to be prudent in financial and operational management with stringent costs control and strengthened inventory management to lower inventory costs and enhance inventory efficiency. The Group will uplift its competitiveness in order to lay a good foundation for sustainable growth in the future and to maintain the healthy growth of its core businesses in the long run.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital decreased from HK\$460,446,000 as at 31st March, 2015 to HK\$423,090,000 for the year end.

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong dollar and RMB) amounted to HK\$80,461,000 (31st March, 2015: HK\$83,379,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$161,056,000 (31st March, 2015: HK\$87,632,000). The borrowings were mainly used for the expansion of cosmetics retail network and balance payments for the acquisition of properties. On 1st April, 2015, the Group completed acquisition of a property and investment properties, at a consideration of HK\$86,680,000 and HK\$3,920,000 respectively.

At the end of the reporting period, the current ratio was 2.78 times (31st March, 2015: 3.63 times) and the gearing ratio of the Group was 0.21 (31st March, 2015: 0.12) which was calculated based on the Group's total borrowings of HK\$161,056,000 (31st March, 2015: HK\$87,632,000) and the total equity of HK\$752,689,000 (31st March, 2015: HK\$745,121,000).

At 31st March, 2016, the Group had banking facilities amounting to HK\$292,305,000 (31st March, 2015: HK\$243,937,000), of which HK\$189,257,000 (31st March, 2015: HK\$130,075,000) was utilised by the Group. The management believes that existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing on favorable terms.

FOREIGN EXCHANGE EXPOSURE

Several subsidiaries of the Company have foreign currency purchases (mainly in United States Dollar and Euro), which expose the Group to foreign currency risk. Approximately 36% (2015: 38%) of purchases costs are in foreign currencies for the year. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency risk by entering into forward contracts should the need arises.

PLEDGE OF ASSETS

At the end of the reporting period, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK\$147,676,000 (31st March, 2015: HK\$55,265,000).

CONTINGENT LIABILITIES

At 31st March, 2016, the Company had provided guarantees of HK\$322,042,000 (31st March, 2015: HK\$263,159,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company of which HK\$189,257,000 (31st March, 2015: HK\$130,075,000) was utilised by the subsidiaries.

STAFF & REMUNERATION POLICIES

At 31st March, 2016, the Group had approximately 2,600 employees (31st March, 2015: approximately 2,400). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performance. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and incentive to enhance their loyalty to the Group.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the Company is scheduled to be held on Wednesday, 7th September, 2016. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 5th September, 2016 to Wednesday, 7th September, 2016 (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 branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 2nd September, 2016.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

In order to ascertain the entitlement to the proposed final dividend for the year ended 31st March, 2016, the register of members of the Company will be closed from Monday, 19th September, 2016 to Wednesday, 21st September, 2016 (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, 2016 will be Tuesday, 13th September, 2016. Shareholders are reminded that in order to qualify for the entitlement to the proposed final dividend for the year ended 31st March, 2016, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15th September, 2016.

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

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

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with all the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the year ended 31st March, 2016.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2016 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, 2016. The Audit Committee comprises all the three independent non-executive directors.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st March, 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement containing all information required by Appendix 16 to the Listing Rules is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under "Latest Listed Company Information" and the Company at <http://www.irasia.com/listco/hk/veeko/index.htm> respectively. The annual report of the Company for the year ended 31st March, 2016 will be dispatched to the shareholders and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 27th June, 2016

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