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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, 2019**

AUDITED RESULTS

The board of directors (the “Directors”) of Veeko International Holdings Limited (the “Company”) presented the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2019 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, 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	1,693,426	1,928,320
Cost of goods sold		(1,065,060)	(1,180,315)
Gross profit		628,366	748,005
Selling and distribution costs		(582,745)	(655,044)
Administrative expenses		(108,562)	(114,588)
Other income, gains and losses		(20,098)	5,837
Increase in fair value of investment properties		21,079	31,630
Finance costs		(9,057)	(6,560)
(Loss) profit before tax		(71,017)	9,280
Income tax expense	4	(8,334)	(4,018)
(Loss) profit for the year	5	(79,351)	5,262

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Other comprehensive (expense) income for the year			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of properties		4,193	8,738
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>(6,774)</u>	<u>7,207</u>
Other comprehensive (expense) income for the year		<u>(2,581)</u>	<u>15,945</u>
Total comprehensive (expense) income for the year		<u>(81,932)</u>	<u>21,207</u>
		<i>HK cents</i>	<i>HK cent</i>
(Loss) earnings per share	7		
– basic		<u>(3.196)</u>	<u>0.219</u>
– diluted		<u>(3.196)</u>	<u>0.219</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2019

		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Investment properties		186,095	157,801
Property, plant and equipment		167,525	191,246
Prepaid lease payments		4,351	5,514
Rental deposits paid		40,679	54,185
Deposits paid for acquisition of investment property		21,739	–
Deferred tax assets		5,089	6,451
		<hr/> 425,478	<hr/> 415,197
Current Assets			
Inventories		432,792	498,522
Trade and other receivables	8	40,057	53,293
Prepaid lease payments		171	254
Rental and utility deposits paid		58,801	56,230
Tax recoverable		9,488	9,897
Bank balances, deposits and cash		56,064	65,168
		<hr/> 597,373	<hr/> 683,364
Current Liabilities			
Trade and other payables	9	80,142	101,056
Rental deposits received		874	27
Secured bank borrowings		265,590	269,206
Obligations under finance leases		224	–
Provision		22,406	–
Tax payable		2,267	1,525
		<hr/> 371,503	<hr/> 371,814
Net Current Assets		<hr/> 225,870	<hr/> 311,550
		<hr/> 651,348	<hr/> 726,747

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Capital and Reserves		
Share capital	25,180	24,575
Reserves	604,650	694,330
	<u>629,830</u>	<u>718,905</u>
 Non-current Liabilities		
Deferred tax liabilities	11,311	6,533
Obligations under finance leases	393	–
Provision	9,097	–
Rental deposits received	717	1,309
	<u>21,518</u>	<u>7,842</u>
	<u>651,348</u>	<u>726,747</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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to Hong Kong Accounting Standards (“HKAS”) 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

3. SEGMENT INFORMATION

For the year ended 31st March, 2019

Disaggregation of revenue from contracts with customers

	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods			
Sale of cosmetics	1,408,287	–	1,408,287
Manufacture and sale of ladies fashion	–	285,139	285,139
	<u>1,408,287</u>	<u>285,139</u>	<u>1,693,426</u>
Total	<u>1,408,287</u>	<u>285,139</u>	<u>1,693,426</u>
Timing of revenue recognition			
A point in time	<u>1,408,287</u>	<u>285,139</u>	<u>1,693,426</u>
Geographical markets			
Hong Kong and Macau	1,403,322	264,882	1,668,204
Other regions of the People's Republic of China ("PRC")	4,965	20,257	25,222
	<u>1,408,287</u>	<u>285,139</u>	<u>1,693,426</u>
Total	<u>1,408,287</u>	<u>285,139</u>	<u>1,693,426</u>

The Group sells cosmetics products and ladies fashion to the wholesale market and directly to customers both through its own retail shops and through internet sales.

For sales of ladies fashion to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 to 120 days upon delivery.

For sales of cosmetics products and ladies fashion to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail shops. Payment of the transaction price is due immediately at the point the customer purchases the goods.

There are no transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

(a) *Operating segments*

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

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 operating and reportable segments.

For the year ended 31st March, 2019

	Cosmetics	Fashion	Segment total	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE					
External sales	1,408,287	285,139	1,693,426	–	1,693,426
Inter-segment sales	–	165	165	(165)	–
	<u>1,408,287</u>	<u>285,304</u>	<u>1,693,591</u>	<u>(165)</u>	<u>1,693,426</u>
SEGMENT LOSS	<u>(52,884)</u>	<u>(29,797)</u>	<u>(82,681)</u>	–	(82,681)
Increase in fair value of investment properties					21,079
Other income, gains and losses					5,951
Central administration costs					(6,309)
Finance costs					<u>(9,057)</u>
Loss before tax					<u>(71,017)</u>

For the year ended 31st March, 2018

	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	1,573,867	354,453	1,928,320	–	1,928,320
Inter-segment sales	–	287	287	(287)	–
	<u>1,573,867</u>	<u>354,740</u>	<u>1,928,607</u>	<u>(287)</u>	<u>1,928,320</u>
SEGMENT LOSS	<u>(6,083)</u>	<u>(8,209)</u>	<u>(14,292)</u>	–	(14,292)
Increase in fair value of investment properties					31,630
Other income, gains and losses					4,056
Central administration costs					(5,554)
Finance costs					<u>(6,560)</u>
Profit before tax					<u>9,280</u>

Inter-segment sales are charged at prevailing market rates for both years.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss before tax incurred 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 of the Company for the purposes of resource allocation and performance assessment.

No analysis of segment assets and segment liabilities is presented as the executive directors of the Company 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, Singapore and other regions of the PRC. Information about the Group's revenue from external customers is presented based on the geographical locations of operations.

	2019 HK\$'000	2018 HK\$'000
Hong Kong and Macau	1,668,204	1,883,814
Singapore	–	9,385
Other regions of the PRC	<u>25,222</u>	<u>35,121</u>
	<u>1,693,426</u>	<u>1,928,320</u>

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

4. INCOME TAX EXPENSE

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	869	1,083
(Over)underprovision in prior years	(16)	110
	853	1,193
Income tax in other jurisdictions		
Current year	2,134	1,692
Underprovision in prior years	421	126
	2,555	1,818
Deferred tax		
Current year	4,926	1,007
	8,334	4,018

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualifying group entity.

Certain subsidiaries operating in Macau are subject to Macau complementary tax of 12%, subject to finalisation of the tax liability with the relevant tax authority.

Under the Law of the PRC on Enterprise Income Tax (“EIT”) (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

5. (LOSS) PROFIT FOR THE YEAR

	2019	2018
	HK\$'000	HK\$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	229,530	240,230
Redundancy cost	–	2,226
Share-based payments	174	304
Retirement benefits scheme contributions	10,848	12,150
	240,552	254,910
Amortisation of prepaid lease payments	176	240
Auditors' remuneration		
– audit services	1,927	1,827
– non-audit services	386	343
Cost of inventories recognised as expenses	1,065,060	1,180,315
Depreciation of property, plant and equipment	28,991	33,739
Bank interest income	(62)	(182)
Net loss on disposal of property, plant and equipment (<i>Note</i>)	89	742
Net exchange (gain) loss (<i>Note</i>)	(1,330)	2,274
Rental income from investment properties, with negligible outgoings (<i>Note</i>)	(5,890)	(3,874)
Provision for onerous contracts (<i>Note</i>)	31,503	–
Impairment loss on property, plant and equipment (<i>Note</i>)	2,197	–

Note: The amounts are included in other income, gains and losses.

6. DIVIDENDS

Dividends recognised as distribution during the year:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
2019 interim dividend of HK0.2 cent (2018: 2018 interim dividend of HK0.5 cent) per share	5,036	11,944
2018 final dividend of HK0.5 cent (2018: 2017 final dividend of nil) per share	12,288	–
	<u>17,324</u>	<u>11,944</u>

Scrip dividends were offered in respect of the 2018 final and interim dividends. These scrip dividends were accepted by the majority of shareholders, as follows:

	2019 <i>Interim</i> <i>HK\$'000</i>	2018 <i>Final</i> <i>HK\$'000</i>	2018 <i>Interim</i> <i>HK\$'000</i>
Dividends:			
Cash	5,036	2,281	2,053
Scrip alternative	–	10,007	9,891
	<u>5,036</u>	<u>12,288</u>	<u>11,944</u>

The 2019 final dividend of HK0.1 cent per share totalling approximately HK\$2,518,000 in cash has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the loss for the year of HK\$79,351,000 (2018: profit for the year of HK\$5,262,000) and on the weighted average number of ordinary shares of the Company set out below.

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>2,482,739,762</u>	<u>2,398,670,091</u>

The computation of diluted loss per share for the year ended 31st March, 2019 does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31st March, 2018 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for the year ended 31st March, 2018.

8. TRADE AND OTHER RECEIVABLES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	23,951	34,917
Other receivables	<u>16,106</u>	<u>18,376</u>
	<u>40,057</u>	<u>53,293</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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	14,828	24,801
31 – 60 days	633	160
61 – 90 days	665	308
91 – 120 days	479	4,770
Over 120 days	<u>7,346</u>	<u>4,878</u>
	<u>23,951</u>	<u>34,917</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.

9. TRADE AND OTHER PAYABLES

At 31st March, 2019, included in the Group's trade and other payables were trade payables of HK\$37,994,000 (2018: HK\$55,961,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	26,545	43,814
31 – 60 days	6,168	7,963
61 – 90 days	2,581	1,693
Over 90 days	2,700	2,491
	<u>37,994</u>	<u>55,961</u>

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.1 cent (2018: HK0.5 cent) per share (each a “Share”) of HK\$0.01 each of the Company in respect of the year ended 31st March, 2019 to shareholders whose names appear on the register of members of the Company on Friday, 20th September, 2019, subject to the approval by the shareholders in the forthcoming annual general meeting (“AGM”) of the Company. The said dividend will be paid on Wednesday, 16th October, 2019. Together with the paid interim dividend of HK0.2 cent (2018: HK0.5 cent) per share, the total dividend for the year will be HK0.3 cent (2018: HK1.0 cent) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31st March, 2019, the Group recorded a revenue of HK\$1,693,426,000 (2018: HK\$1,928,320,000), representing a decrease of 12.2% as compared with the same period last year. Included in the amount of revenue, HK\$1,408,287,000 (2018: HK\$1,573,867,000) was generated by the cosmetics business, representing a decrease of 10.5% over the same period last year and 83.2% of the Group’s total revenue (2018: 81.6%). The revenue of the fashion business amounted to HK\$285,139,000 (2018: HK\$354,453,000), representing a decrease of 19.6% as compared with the same period last year. During the period under review, the retail sales of cosmetic business increased in the first half of the financial year, with the first quarter recording a higher growth, however the retail sales decreased in the second half of the year. Under the influence of the Sino-US trade war and the highly volatile global financial market, there was a continuation of uncertainties such as depreciation of the Renminbi exchange rate, which has affected the environment of the retail industry and the consumption sentiment. Consumer sentiment has also turned cautious, resulting in a decline in sales of cosmetics and fashion segments.

The Group recorded a loss of HK\$79,351,000 for the year (2018: a profit of HK\$5,262,000), mainly due to the drop in sales for both cosmetics and fashion segments of the Group as a result of the cautious consumer market and the continuously weak retail environment. In particular, we saw a significant decline in revenue in the second half of this financial year. During the year, the cosmetics business recorded a segment loss of HK\$52,884,000 (2018: a loss of HK\$6,083,000), and the fashion business recorded a segment loss of HK\$29,797,000 for the year (2018: a loss of HK\$8,209,000). The segment loss included scrap, shrinkage and provision for slow moving inventories of approximately HK\$17,533,000 (2018: HK\$4,977,000). Besides, as the Group had a relatively larger number of loss-making stores for the year, it was required to make a provision for both impairment of the property, plant and equipment and the onerous contracts of the relevant stores. As at 31st March, 2019, these provisions in aggregate amounted to approximately HK\$33,700,000. In addition, the fair value of the Group’s investment properties recorded an appreciation of HK\$21,079,000 for the year (2018: HK\$31,630,000).

Cosmetics Business

As at 31st March, 2019, the Group had 87 cosmetics stores (31st March, 2018: 92 stores), with 82 *Colourmix* stores and 5 *MORIMOR* stores respectively, of which 80 stores were located in Hong Kong, 6 stores were located in Macau and 1 store was located in China. The Group strived to adjust its product portfolio and improve the product display of its stores to enhance the shopping experience of customers. At the same time, the Group provided its customers with premium skin care consultations through professional and intimate beauty reference. During the year, the cosmetics business recorded a revenue of HK\$1,408,287,000 (2018: HK\$1,573,867,000), representing a decrease of 10.5%, which accounted for 83.2% of the total revenue of the Group. The gross profit margin of the cosmetics business for the year was 31.1%, representing a decrease of 0.6 percentage point as compared to the gross profit margin of the same period last year. During the year, the cosmetics business recorded a segment loss of HK\$52,884,000 (2018: loss of HK\$6,083,000). During the period under review, the overall environment of the consumer market in Hong Kong and Macau continued to be sluggish. The depreciation of the Renminbi exchange rate has weakened consumer sentiment, resulting in a decrease in revenue. Coupled with the impairment made by the Group in respect of the property, plant and equipment and the provision made in respect of the onerous contracts of loss-making stores, there was an increase in segment loss as compared to the same period last year. In view of this, in order to cope with these uncertainties, the Group has successively closed down its cosmetics stores with unsatisfactory performance, and opened new stores at favorable locations with affordable rental during the year.

Fashion Business

As at 31st March, 2019, the Group had 84 fashion stores (31st March, 2018: 101 stores) under the brand *Veeko* and *Wanko* across Hong Kong, Macau and China, with 67 stores located in Hong Kong and Macau and 17 stores located in China. The reason for the decrease in the number of stores as compared with the same period last year was the closing down of fashion stores with unsatisfactory performance by the Group and the allocation of resources to profitable stores. During the period under review, the revenue of the Group's fashion business was HK\$285,139,000 (2018: HK\$354,453,000), representing a decrease of 19.6% as compared with the same period last year. In addition to the termination of fashion retail operation in Singapore, the decline in revenue was due to the decrease in the number of overall fashion stores as compared with the same period last year. During the period under review, due to the impact arising from the relocation of the plant in mainland China, the production schedule was delayed, and resulted in the delay to meet the market demand timely in the first half of the financial year, thereby leading to the decrease in revenue of the fashion segment and the increase in production cost. Coupled with the typhoon which hit Hong Kong and Macau in September last year, there was inevitably a decline in overall revenue. Besides, the weather

was exceptionally warm during winter in the second half of the year, resulting in a decline in results. The Group has completed the integration process of production plant in August last year. The production efficiency has also been continuously improved in accordance with the Group's plan, and the delivery quantity resumed to normal. During the period under review, the gross profit margin decreased by 3.3 percentage points to 66.8% as compared with the same period last year. With the above reasons, and coupled with the impairment made by the Group in respect of the property, plant and equipment and the provision made in respect of the onerous contracts of loss-making stores, the Group has recorded a loss of HK\$29,797,000 (2018: loss of HK\$8,209,000) for the fashion business segment.

PROSPECTS

During the current financial year, the global economy has undergone fluctuations and the retail industry faced innumerable obstacles. Under the challenging economic environment, the Group will continue to seek opportunities for growth by adopting contingency measures. Looking ahead, the Group will strategically adjust its product portfolio, explore new products with more potential, increase trendy beauty products with exclusive distributorship in a bid to cater for the changing demands of customers and enhance competitiveness. In addition, the Group will keep abreast of the latest market trend, strengthen the product portfolio, proactively train up staff members, improve service quality and enhance satisfactory level of customers. At the same time, the management will continue to maintain prudent financial and operational management and take stringent cost control measures. The Group will deploy resources to profitable stores by further restructuring stores with unsatisfactory performance, which can help improve the overall performance of cosmetics business. The Group keeps up with the trend, with the development of information and technology, apart from the traditional physical retail stores, the Group actively explores methods to promote the growth of its cosmetics business, enhance the brand's popularity, expand customer base and therefore increase revenue through various e-commerce platforms. The Hong Kong-Zhuhai-Macao Bridge has started operation since October 2018. The Group sees the potential opportunities brought by the development of the Greater Bay Area and therefore, has established *Colourmix* and *MORIMOR* stores in the Passenger Clearance Building of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port since the end of April 2019.

Regarding the fashion retail business, the Hong Kong and Macau market accounted for 92.9% of the total revenue of the fashion business of the Group. The fashion retail business will continue to focus primarily on the Hong Kong and Macau market in the future. To look for opportunities to meet the constantly changing demands in the market, the Group will continue to optimize its product design portfolio; closing down its fashion stores with unsatisfactory performance. In the meantime, the Group will also continue to open new stores at favorable locations with affordable rental and steer the focus point of the business towards profitable stores. The Group expects to further reduce production costs, increase gross profit of the fashion business and control the cost of goods effectively after deploying its production resources to its existing self-owned production plant in Shantou. With the re-integration of production resources, the space in the existing self-owned plant in Shantou can be utilised more effectively. The Group has leased certain floors of its Shantou plant to earn rental income, which has brought greater returns to the Group.

The Group constantly explores investment opportunities. In March 2019, the Group entered into a formal sale and purchase agreement with an independent third party for the acquisition of a property located at the whole of ground floor of No. 88 San Hong Street North New Territories, Hong Kong at a consideration of HK\$117,500,000. The total cost of the property together with transaction costs such as stamp duty is approximately HK\$128,458,000. The property will be held for investment purpose by rental. Upon the expiry of the existing lease agreement, the Group will evaluate the benefits between the property which continues to be rented out and the property which will be used as the Group's store. The Group will continue to explore investment opportunities. The Group will further diversify and expand its revenue sources through an increase of rental income from property investment, which will create greater returns and long term values to the shareholders.

Looking ahead, the Group expects to continuously face a challenging external environment for the retail market of Hong Kong in 2019. To forge ahead, in spite of such challenges in the future, the Group will continue to focus on its business, formulate strategic marketing solutions, explore new markets and seize opportunities for identifying new business opportunities as well as unlocking its future potential.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital decreased from HK\$311,550,000 as at 31st March, 2018 to HK\$225,870,000 for the year end.

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong dollar and Renminbi) amounted to HK\$56,064,000 (31st March, 2018: HK\$65,168,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$265,590,000 (31st March, 2018: HK\$269,206,000).

At the end of the reporting period, the current ratio was 1.61 times (31st March, 2018: 1.84 times) and the gearing ratio of the Group was 0.42 (31st March, 2018: 0.37) which was calculated based on the Group's total borrowings of HK\$266,207,000 (31st March, 2018: HK\$269,206,000) and the total equity of HK\$629,830,000 (31st March, 2018: HK\$718,905,000).

At 31st March, 2019, the Group had banking facilities amounting to HK\$429,240,000 (31st March, 2018: HK\$357,810,000), of which HK\$282,555,000 (31st March, 2018: HK\$286,523,000) was utilised by the Group.

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 34% (2018: 22%) 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\$329,104,000 (31st March, 2018: HK\$259,969,000).

CONTINGENT LIABILITIES

At 31st March, 2019, the Company had provided guarantees of HK\$644,923,000 (31st March, 2018: HK\$450,500,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF & REMUNERATION POLICIES

At 31st March, 2019, the Group had approximately 1,700 employees (31st March, 2018: approximately 1,800). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performance. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and incentive to enhance their loyalty to the Group.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Tuesday, 10th September, 2019. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 5th September, 2019 to Tuesday, 10th September, 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 4th September, 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

In order to ascertain the entitlement to the proposed final dividend for the year ended 31st March, 2019, the register of members of the Company will be closed from Wednesday, 18th September, 2019 to Friday, 20th September, 2019 (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, 2019 will be Friday, 13th September, 2019. Shareholders are reminded that in order to qualify for the entitlement to the proposed final dividend for the year ended 31st March, 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 17th September, 2019.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11th July, 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Secretaries Limited (the “Branch Share Registrar”), will change its address from Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong to

**Level 54, Hopewell Centre
183 Queen’s Road East
Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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, 2019.

Detailed information on the Company’s corporate governance practices is set out in the Corporate Governance Report of the Company’s 2019 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries, all of the directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31st March, 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results for the year ended 31st March, 2019. 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, 2019 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, 2019 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, 2019

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, one non-executive director, namely Mr. Lam Man Tin and three independent non-executive directors, namely Mr. Au-Yeung Hau Cheong, Dr. Fok Kam Chu, John and Mr. Yeung Wing Kay.