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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, 2018**

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, 2018 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, 2018

| | <i>Notes</i> | 2018 <i>HK\$’000</i> | 2017 <i>HK\$’000</i> |
|---|--------------|--------------------------------|-------------------------|
| Turnover | 3 | 1,928,320 | 2,017,450 |
| Cost of goods sold | | (1,180,315) | (1,214,399) |
| Gross profit | | 748,005 | 803,051 |
| Selling and distribution costs | | (655,044) | (711,916) |
| Administrative expenses | | (114,588) | (125,788) |
| Other income, gains and losses | | 5,837 | 7,682 |
| Increase in fair value of investment properties | | 31,630 | 9,937 |
| Finance costs | | (6,560) | (4,941) |
| Profit (loss) before tax | | 9,280 | (21,975) |
| Income tax expense | 4 | (4,018) | (3,919) |
| Profit (loss) for the year | 5 | 5,262 | (25,894) |

| | <i>Note</i> | 2018 HK\$'000 | 2017 HK\$'000 |
|--|-------------|--------------------------------|------------------|
| Other comprehensive income (expense) for the year | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | |
| Gain on revaluation of properties | | 8,738 | 1,795 |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>7,207</u> | <u>(3,337)</u> |
| Other comprehensive income (expense) for the year | | <u>15,945</u> | <u>(1,542)</u> |
| Total comprehensive income (expense) for the year | | <u>21,207</u> | <u>(27,436)</u> |
| | | HK cent | HK cents |
| Earnings (loss) per share | 7 | | |
| – basic | | <u>0.219</u> | <u>(1.084)</u> |
| – diluted | | <u>0.219</u> | <u>(1.084)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2018

| | <i>Notes</i> | 2018 HK\$'000 | 2017 HK\$'000 |
|----------------------------------|--------------|--------------------------------|------------------|
| Non-current Assets | | | |
| Investment properties | | 157,801 | 104,700 |
| Property, plant and equipment | | 191,246 | 214,651 |
| Prepaid lease payments | | 5,514 | 6,469 |
| Rental deposits paid | | 54,185 | 69,047 |
| Deferred tax assets | | 6,451 | 7,612 |
| | | 415,197 | 402,479 |
| Current Assets | | | |
| Inventories | | 498,522 | 506,118 |
| Trade and other receivables | 8 | 53,293 | 35,599 |
| Prepaid lease payments | | 254 | 236 |
| Rental and utility deposits paid | | 56,230 | 53,669 |
| Tax recoverable | | 9,897 | 10,878 |
| Pledged bank deposits | | – | 5,843 |
| Bank balances, deposits and cash | | 65,168 | 80,269 |
| | | 683,364 | 692,612 |
| Current Liabilities | | | |
| Trade and other payables | 9 | 101,056 | 89,026 |
| Rental deposits received | | 27 | 28 |
| Secured bank borrowings | | 269,206 | 300,132 |
| Tax payable | | 1,525 | 2,683 |
| | | 371,814 | 391,869 |
| Net Current Assets | | | |
| | | 311,550 | 300,743 |
| | | 726,747 | 703,222 |

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--------------------------|--------------------------------|-------------------------|
| Capital and Reserves | | |
| Share capital | 24,575 | 23,888 |
| Reserves | 694,330 | 675,559 |
| | <u>718,905</u> | <u>699,447</u> |
| Non-current Liabilities | | |
| Deferred tax liabilities | 6,533 | 3,775 |
| Rental deposits received | 1,309 | – |
| | <u>7,842</u> | <u>3,775</u> |
| | <u>726,747</u> | <u>703,222</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

Amendments to HKFRSs that are mandatorily effective for the current year

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

| | |
|------------------------|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) finance costs; (iii) dividends recognised as distribution; (iv) the effect of changes in foreign exchange rate; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s consolidated financial statements.

Except as described above, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and financial positions for the current and prior years and/or disclosures set out in these 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 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, 2018

| | 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> |
| TURNOVER | | | | | |
| 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> |

For the year ended 31st March, 2017

| | Cosmetics | Fashion | Segment total | Eliminations | Consolidated |
|--|------------------|----------------|------------------|--------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| TURNOVER | | | | | |
| External sales | 1,604,151 | 413,299 | 2,017,450 | – | 2,017,450 |
| Inter-segment sales | – | 527 | 527 | (527) | – |
| | <u>1,604,151</u> | <u>413,826</u> | <u>2,017,977</u> | <u>(527)</u> | <u>2,017,450</u> |
| SEGMENT LOSS | <u>(14,634)</u> | <u>(8,003)</u> | <u>(22,637)</u> | – | (22,637) |
| Increase in fair value of investment properties | | | | | 9,937 |
| Other income, gains and losses | | | | | 1,487 |
| Central administration costs | | | | | (5,821) |
| Finance costs | | | | | <u>(4,941)</u> |
| Loss before tax | | | | | <u>(21,975)</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, 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 locations of operations.

| | 2018 | 2017 |
|--------------------------|-------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong and Macau | 1,883,814 | 1,955,931 |
| Taiwan | – | 49 |
| Singapore | 9,385 | 25,942 |
| Other regions of the PRC | 35,121 | 35,528 |
| | <u>1,928,320</u> | <u>2,017,450</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

| | 2018 | 2017 |
|-------------------------------------|---------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| Current year | 1,083 | 829 |
| Under(over)provision in prior years | 110 | (6) |
| | <u>1,193</u> | <u>823</u> |
| Income tax in other jurisdictions | | |
| Current year | 1,692 | 3,405 |
| Underprovision in prior years | 126 | 206 |
| | <u>1,818</u> | <u>3,611</u> |
| Deferred tax | | |
| Current year | 1,007 | (515) |
| | <u>4,018</u> | <u>3,919</u> |

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

5. PROFIT (LOSS) FOR THE YEAR

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit (loss) for the year has been arrived at after charging (crediting): | | |
| Employee benefits expenses (including directors' emoluments): | | |
| Salaries and other benefits | 240,230 | 263,124 |
| Redundancy cost | 2,226 | – |
| Share-based payments | 304 | 471 |
| Retirement benefits scheme contributions | 12,150 | 14,318 |
| | <u>254,910</u> | <u>277,913</u> |
| Amortisation of prepaid lease payments | 240 | 241 |
| Auditors' remuneration | | |
| – audit services | 1,827 | 1,979 |
| – non-audit services | 343 | 473 |
| Cost of inventories recognised as expenses | 1,180,315 | 1,214,399 |
| Depreciation of property, plant and equipment | 33,739 | 40,779 |
| Bank interest income | (182) | (139) |
| Loss on disposal of property, plant and equipment, net (included in other income, gains and losses) | 742 | 978 |
| Net exchange loss (included in other income, gains and losses) | 2,274 | 729 |
| Rental income from investment properties, with negligible outgoings | (3,874) | (1,347) |
| | <u><u>(3,874)</u></u> | <u><u>(1,347)</u></u> |

6. DIVIDENDS

Dividends recognised as distribution during the year:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 2018 interim dividend of HK0.5 cent (2017: 2017 interim dividend of HK0.6 cent) per share | 11,944 | 14,333 |
| 2017 final dividend of nil (2017: 2016 final dividend of HK0.5 cent) per share | – | 11,944 |
| | <u>11,944</u> | <u>26,277</u> |

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

| | 2018 | 2017 | 2016 |
|-------------------|-----------------|---------------|---------------|
| | Interim | Interim | Final |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Dividends: | | | |
| Cash | 2,053 | 14,333 | 11,944 |
| Scrip alternative | 9,891 | – | – |
| | <u>11,944</u> | <u>14,333</u> | <u>11,944</u> |

The 2018 final dividend of HK0.5 cent per share totalling of approximately HK\$12,288,000 in cash, with a scrip option has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the profit for the year of HK\$5,262,000 (2017: loss for the year of HK\$25,894,000) and on the weighted average number of ordinary shares of the Company set out below.

| | 2018 | 2017 |
|--|-----------------------------|----------------------|
| <u>Number of shares</u> | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | <u>2,398,670,091</u> | <u>2,388,884,410</u> |

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

The computation of diluted loss per share for the year ended 31st March, 2017 does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

8. TRADE AND OTHER RECEIVABLES

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | 34,917 | 16,057 |
| Other receivables | 18,376 | 19,542 |
| | <u>53,293</u> | <u>35,599</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:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 30 days | 24,801 | 8,777 |
| 31 – 60 days | 160 | 352 |
| 61 – 90 days | 308 | 671 |
| 91 – 120 days | 4,770 | 1,006 |
| Over 120 days | 4,878 | 5,251 |
| | <u>34,917</u> | <u>16,057</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, 81% (2017: 82%) 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, 2018, included in the Group's trade and other payables were trade payables of HK\$55,961,000 (2017: HK\$46,116,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

| | 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 30 days | 43,814 | 25,974 |
| 31 – 60 days | 7,963 | 16,408 |
| 61 – 90 days | 1,693 | 2,029 |
| Over 90 days | 2,491 | 1,705 |
| | <u>55,961</u> | <u>46,116</u> |

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK0.5 cent (2017: Nil) per share (each a “Share”) of HK\$0.01 each of the Company in respect of the year ended 31st March, 2018 to shareholders whose names appear on the register of members of the Company on 17th September, 2018 and also to recommend the offer to the shareholders the right to elect as an alternative, to receive such final dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash (“Scrip Dividend Scheme”), subject to the approval of the shareholders on the payment of final dividend at the annual general meeting (“AGM”) of the Company and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Shares to be issued pursuant thereto. The said dividend will be paid on or about 31st October, 2018. Together with the paid interim dividend of HK0.5 cent (2017: HK0.6 cent) per share, the total dividend for the year will be HK1.0 cent (2017: HK0.6 cent) per share.

The Shares to be issued pursuant to the Scrip Dividend Scheme will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31st March, 2018.

On condition that the payment of the above final dividend is approved by the shareholders at the AGM of the Company, a circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly after the AGM of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31st March, 2018, the Group recorded a turnover of HK\$1,928,320,000 (2017: HK\$2,017,450,000), representing a decrease of 4.4% as compared with the same period last year. Included in the amount of turnover, HK\$1,573,867,000 (2017: HK\$1,604,151,000) was generated by cosmetics business, representing a decrease of 1.9% over the same period last year and 81.6% of the Group’s total turnover (2017: 79.5%). The gross profit margin of cosmetics business for the year was 31.7%, representing a decrease of 1.1 percentage points as compared with 32.8% for the same period last year. The turnover of fashion business reached HK\$354,453,000 (2017: HK\$413,299,000), representing a 14.2% decrease as compared with the same period in the previous year. The gross profit margin of fashion business was 70.1%, representing an increase of 3 percentage points as compared with 67.1% for the same period last year. The Group recorded a profit of HK\$5,262,000 during the year (2017: a loss of HK\$25,894,000). The turnaround from loss to profit was partly attributable to the improvement in financial performance regarding cosmetics business segment during the second half of 2018 financial year which resulting in the decrease in loss derived from such business segment as a whole for the year ended 31st March, 2018. The Group’s cosmetics business recorded a segment loss of HK\$6,083,000 for the year (2017: a loss of HK\$14,634,000). The financial performance of the fashion business segment remained stable as compared with last year. The fashion business recorded a segment loss of HK\$8,209,000

for the year (2017: a loss of HK\$8,003,000). Whereas, an increase in fair value of investment properties of HK\$31,630,000 was recorded for the year (2017: HK\$9,937,000). It was mainly attributable to the appreciation of a whole floor property located at G/F, No. 86 San Hong Street North New Territories, Hong Kong.

Cosmetics Business

As at 31st March, 2018, the Group had 84 *Colourmix* stores (31st March, 2017: 90 stores) and 8 *MORIMOR* stores (31st March, 2017: 7 stores). For *Colourmix* stores, 78 stores were located in Hong Kong, 5 stores were in Macau, and 1 store was in China. The Group opened new stores in prime locations to enhance the store image. The Group has opened a new *MORIMOR* store in the shopping mall of The Venetian Macao Resort Hotel at the end of November, 2017, which is the first *MORIMOR* store outside Hong Kong. It is expected that the market presence and popularity of *MORIMOR* stores will be further enhanced through its brand-new image in quality and trendy cosmetics. As for the products, the Group has also continuously enriched the product mix and increased best-selling trendy beauty products to satisfy customers' demand. During the year under review, the overall consumption of cosmetics in Hong Kong and Macau regions in the second half of the year picked up once again. The Group's cosmetics turnover in the second half of the year increased by 8.2% as compared with the same period last year. The Group recorded a segment profit for the third quarter and the fourth quarter of the 2017/2018 financial year. The above factors resulted in decrease of segment loss for the cosmetics business as compared with last year, demonstrating a gradual improvement of the Group's operation and profitability in the second half of the year. The cosmetics business for the year recorded a segment loss of HK\$6,083,000 (2017: a loss of HK\$14,634,000). During the year, cosmetics retail business recorded a turnover of HK\$1,573,867,000 (2017: HK\$1,604,151,000), representing a decrease of 1.9% and accounting for 81.6% of the Group's total turnover. The gross profit margin of the cosmetics business for the year was 31.7%, representing a decrease of 1.1 percentage points as compared with 32.8% for the same period last year.

Fashion Business

As at 31st March, 2018, the Group had 101 fashion stores in Hong Kong, Macau and the Mainland China (31st March, 2017: 119 stores). The decrease in the number of stores as compared with the same period last year was mainly attributable to the restructuring of its retail network by the Group in overseas markets during the year, particularly in Singapore market to alleviate the negative impact on the overall results of fashion business. During the year under review, the fashion retail market in Hong Kong remained weak, resulting in a decline of 14.2% in the turnover of the Group's fashion business. Nevertheless, the gross profit margin of fashion business increased by 3 percentage points to 70.1% as compared with the same period last year. It was mainly attributable to the reduction in production costs due to the Group's stringent control over procurement and production costs. The financial performance of the fashion business remained stable during the year. The fashion business recorded a segment loss of HK\$8,209,000 (2017: a loss of HK\$8,003,000).

Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 89.4% of the Group's total turnover in fashion business. During the year ended 31st March, 2018, the turnover of Hong Kong and Macau market reached HK\$316,840,000 (2017: HK\$360,158,000), representing a decrease of 12% as compared with the same period last year. The gross profit margin of Hong Kong and Macau regions was 71%, an increase by 1.5 percentage points as compared with 69.5% in the same period last year. As at 31st March, 2018, the Group had a total of 76 stores in Hong Kong and Macau (31st March, 2017: 85 stores).

Fashion Business – Singapore Market

The retail business in Singapore recorded a turnover of HK\$9,385,000 (2017: HK\$25,942,000) for the financial year, representing a decrease of 63.8% as compared with the same period last year, mainly attributable to the Group's discontinuation of its fashion retail operation in Singapore. The Group ceased its fashion retail operation in Singapore at the end of October, 2017 to reduce the negative impact on the overall performance of fashion business. There were 5 stores as of 31st March, 2017.

Fashion Business – China Market

The turnover of the China market for the year under review reached HK\$28,228,000 (2017: HK\$27,150,000), representing an increase of 4% as compared with the same period last year. As of 31st March, 2018, the Group had a total of 25 *Veeko* and *Wanko* stores in China (31st March, 2017: 29 stores). Through the successive closing down of its under-performing stores in the China market, the Group has increased its overall operational efficiency. Apart from the conventional physical retail network, the Group had distribution channels through a number of e-commerce platforms such as Tmall.

PROSPECTS

The Group expects the retail market of Hong Kong to improve gradually. Under the challenging environment, the Group is cautiously optimistic about its future development, and will continue to seek opportunities for growth and monitor closely the changes in market trend. The management will continue to monitor the future market closely for change directions and uncertainties and take appropriate measures accordingly. In the meantime, the Group will remain prudent in its financial and operational management through stringent costs control and will further optimise its inventory management, so as to lower inventory costs and overall logistic costs, and enhance inventory efficiency. Beauty products and cosmetics products have become an important part in most people's daily life. Looking ahead, the Group will continue to commit to the enrichment of the cosmetics product portfolio, as well as increasing trendy beauty products with exclusive distributorship, conducting staff training on enhancing shopping experience to attract more traffic, increase competitiveness, and improve business performance and profitability.

The cosmetics business has improved its performance in the second half of the 2017/2018 financial year. The turnover in the second half of the year increased as compared with the same period last year and a segment profit was recorded. During the period from 1st April, 2018 to 23rd June, 2018, its sales of comparable stores recorded an increase of approximately 8.6% as compared with the same period last year.

Regarding the fashion retail business, the Hong Kong and Macau market accounted for 89.4% of the total turnover 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 meet constantly changing needs in the market and search for opportunities, the Group will continue to focus on strengthening product designs and enhancing customers' shopping experience. The Group has ceased its fashion retail operation in Singapore to reduce the negative impact on the overall performance of fashion business, as well as to better allocate the resources of the Group to its other businesses. The Group will continue to be cautious in the adjustment of the store portfolio, by deploying the resources to profitable stores and improving retail operation in the stores. During the year under review, the Group has phased out the Zhuhai production plant and redeployed its production resources to the self-owned production plant in Shantou. It is believed that this will further enhance the cost effectiveness of its overall fashion production. As the cost incurred in closing down the Zhuhai plant (which included severance payments to the employees and other necessary costs) has been accounted for in this year, the financial performance for the year was inevitably affected on a temporary basis. However, such measures can further reduce production cost in the future, increase gross profit for the fashion retail business and bring long term benefits to cost control of production. With the restructuring of production resources, the capacity of the self-owned production plant in Shantou can be better utilised. The Group rented out certain floors of the Shantou plant in the second half of the financial year for rental income. The Group also plans to continue the renting out of certain floors in the next financial year, which is expected to bring better returns to the Group.

The Group will continue to be cautious in adjusting its store portfolio and reviewing rental levels. Given the downward adjustments of rental rates for certain stores in the market, the rental pressure for stores with expiring lease terms will be reduced, and the Group will achieve better results in controlling rental cost. Meanwhile, the Group will close down under-performing cosmetics stores and identify prime locations with lower rents for new stores in order to improve overall operation efficiency. The Group also constantly explores for investment opportunities with an aim to increase rental income through investments in properties. In addition, the Group will also strive to uplift its competitiveness, in order to lay a solid foundation for the Group's sustainable growth in the future, to further increase its overall profits and to maintain a healthy growth in its core business in the long run.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital increased from HK\$300,743,000 as at 31st March, 2017 to HK\$311,550,000 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\$65,168,000 (31st March, 2017: HK\$86,112,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$269,206,000 (31st March, 2017: HK\$300,132,000).

At the end of the reporting period, the current ratio was 1.84 times (31st March, 2017: 1.77 times) and the gearing ratio of the Group was 0.37 (31st March, 2017: 0.43) which was calculated based on the Group's total borrowings of HK\$269,206,000 (31st March, 2017: HK\$300,132,000) and the total equity of HK\$718,905,000 (31st March, 2017: HK\$699,447,000).

At 31st March, 2018, the Group had banking facilities amounting to HK\$357,810,000 (31st March, 2017: HK\$367,567,000), of which HK\$286,523,000 (31st March, 2017: HK\$323,730,000) 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 22% (2017: 29%) 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\$259,969,000 (31st March, 2017: HK\$237,622,000).

CONTINGENT LIABILITIES

At 31st March, 2018, the Company had provided guarantees of HK\$450,500,000 (31st March, 2017: HK\$450,822,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF & REMUNERATION POLICIES

At 31st March, 2018, the Group had approximately 1,800 employees (31st March, 2017: approximately 2,200). 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 Wednesday, 5th September, 2018. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 31st August, 2018 to Wednesday, 5th September, 2018 (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 no later than 4:30 p.m. on Thursday, 30th August, 2018.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

In order to ascertain the entitlement to the proposed final dividend for the year ended 31st March, 2018, the register of members of the Company will be closed from Thursday, 13th September, 2018 to Monday, 17th September, 2018 (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, 2018 will be Monday, 10th September, 2018. Shareholders are reminded that in order to qualify for the entitlement to the proposed final dividend for the year ended 31st March, 2018, 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 no later than 4:30 p.m. on Wednesday, 12th September, 2018.

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, 2018.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2018 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 31 March 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results for the year ended 31st March, 2018. 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, 2018 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, 2018 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, 26th June, 2018

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.