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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, 2017

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, 2017 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, 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Turnover	3	**2,017,450**	2,226,463
Cost of goods sold		**(1,214,399)**	(1,300,266)
Gross profit		**803,051**	926,197
Selling and distribution costs		**(711,916)**	(713,215)
Administrative expenses		**(125,788)**	(137,288)
Other income, gains and losses		**7,682**	4,742
Increase in fair value of investment properties		**9,937**	154
Finance costs		**(4,941)**	(3,779)
(Loss) profit before tax		**(21,975)**	76,811
Income tax expense	4	**(3,919)**	(17,878)
(Loss) profit for the year	5	**(25,894)**	58,933

	Note	2017 HK$'000	2016 HK$'000
Other comprehensive income (expense) for the year			
Item that will not be reclassified subsequently to profit or loss			
Gain on revaluation of properties		**1,795**	–
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(3,337)**	(1,925)
Other comprehensive expense for the year		**(1,542)**	(1,925)
Total comprehensive (expense) income for the year		**(27,436)**	57,008
(Loss) earnings per share	7		
– basic		**HK(1.084) cents**	HK2.467 cents
– diluted		**HK(1.084) cents**	HK2.456 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current Assets			
Investment properties		**104,700**	6,650
Property, plant and equipment		**214,651**	235,359
Prepaid lease payments		**6,469**	7,155
Rental deposits paid		**69,047**	77,113
Deferred tax assets		**7,612**	7,257
		402,479	333,534
Current Assets			
Inventories		**506,118**	487,192
Trade and other receivables	8	**35,599**	41,094
Prepaid lease payments		**236**	252
Rental and utility deposits paid		**53,669**	51,603
Tax recoverable		**10,878**	–
Pledged bank deposits		**5,843**	6,235
Bank balances, deposits and cash		**80,269**	74,226
		692,612	660,602
Current Liabilities			
Trade and other payables	9	**89,026**	74,255
Rental deposits received		**28**	17
Secured bank borrowings		**300,132**	161,056
Tax payable		**2,683**	2,184
		391,869	237,512
Net Current Assets		**300,743**	423,090
		703,222	756,624

	2017	2016
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**23,888**	23,888
Reserves	**675,559**	728,801
	699,447	752,689
Non-current Liability		
Deferred tax liabilities	**3,775**	3,935
	703,222	756,624

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**

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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 amendments to HKFRS issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[3]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[3]
Amendments to HKAS 40	Transfers of Investment property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]

1 Effective for annual periods beginning on or after 1st January, 2018.

2 Effective for annual periods beginning on or after 1st January, 2019.

3 Effective for annual periods beginning on or after 1st January, 2017.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31st March, 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows except for the short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating cash flows.

Under HKAS 17, the Group has already recognised an asset for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st March, 2017, the Group had non-cancellable operating lease commitments of HK$622,722,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of other new and amendments to 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 makers, 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 the reportable segments of the Group as identified by the chief operation 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 reportable and operating segments.

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)**	**–**
	1,604,151	**413,826**	**2,017,977**	**(527)**	**2,017,450**

Inter-segment sales are charged at prevailing market rates.

	Cosmetics	Fashion	Segment Total	Eliminations	Consolidated
SEGMENT LOSS	**(14,634)**	**(8,003)**	**(22,637)**	**–**	**(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					**(4,941)**
Loss before tax					**(21,975)**

For the year ended 31st March, 2016

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

Inter-segment sales are charged at prevailing market rates.

	Cosmetics	Fashion	Segment Total	Eliminations	Consolidated
SEGMENT PROFIT (LOSS)	94,019	(8,850)	85,169	–	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					76,811

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) 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 locations of operations.

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**1,955,931**	2,112,982
Taiwan	**49**	37,416
Singapore	**25,942**	33,178
Other regions of the PRC	**35,528**	42,887
	2,017,450	2,226,463

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

	2017	2016
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**829**	11,572
Overprovision in prior years	**(6)**	(5)
	823	11,567
Income tax in other jurisdictions		
Current year	**3,405**	4,840
Under(over)provision in prior years	**206**	(570)
	3,611	4,270
Deferred tax		
Current year	**(515)**	2,041
	3,919	17,878

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. (LOSS) PROFIT FOR THE YEAR

	2017	2016
	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	**263,124**	296,520
Share-based payments	**471**	726
Retirement benefits scheme contributions	**14,318**	15,300
	277,913	312,546
Amortisation of prepaid lease payments	**241**	256
Auditors' remuneration		
– audit services	**1,979**	2,126
– non-audit services	**473**	569
Cost of inventories recognised as expenses *(Note)*	**1,214,399**	1,300,266
Depreciation of property, plant and equipment	**40,779**	41,256
Bank interest income	**(139)**	(279)
Loss on disposal of property, plant and equipment, net (included in other income, gains and losses)	**978**	1,315
Net exchange loss (gain) (included in other income, gains and losses)	**729**	(40)
Rental income from investment properties, with negligible outgoings	**(1,347)**	(1,003)

Note: Cost of inventories recognised as expenses included allowance for inventories of HK$2,076,000 (2016: reversal of allowance for inventories of HK$3,884,000).

6. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2017 interim dividend of HK0.6 cent (2016: 2016 interim dividend of HK0.8 cent) per share	**14,333**	19,111
2016 final dividend of HK0.5 cent (2016: 2015 final dividend of HK1.3 cents) per share	**11,944**	31,055
	26,277	50,166

The directors do not recommend the payment of a final dividend for the year ended 31st March, 2017.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the loss for the year of HK$25,894,000 (profit for the year of 2016: HK$58,933,000) and on the weighted average number of ordinary shares of the Company set out below.

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,388,884,410**	2,388,884,410
Effect of dilutive potential ordinary shares:		
Share options	**–**	11,019,278
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,388,884,410**	2,399,903,688

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 will result in decrease in loss per share.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**16,057**	18,304
Other receivables	**19,542**	22,790
	35,599	41,094

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:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**8,777**	11,833
31 – 60 days	**352**	1,429
61 – 90 days	**671**	932
Over 90 days	**6,257**	4,110
	16,057	18,304

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, 82% (2016: 90%) 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, 2017, included in the Group's trade and other payables were trade payables of HK$46,116,000 (2016: HK$23,507,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**25,974**	16,114
31 – 60 days	**16,408**	2,968
61 – 90 days	**2,029**	2,005
Over 90 days	**1,705**	2,420
	46,116	23,507

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2017 (2016: HK0.5 cent). The paid interim dividend was HK$0.6 cent (2016: HK0.8 cent) per share, and the total dividend for the year will be HK0.6 cent (2016: HK1.3 cents) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31st March, 2017, the Group recorded a turnover of HK$2,017,450,000 (2016: HK$2,226,463,000), representing a decrease of 9.4% as compared with the same period last year. Included in the amount of turnover, HK$1,604,151,000 (2016: HK$1,722,866,000) was generated by cosmetics business, representing a decrease of 6.9% over the same period last year and 79.5% of the Group's total turnover (2016: 77.4%). The turnover of fashion business reached HK$413,299,000 (2016: HK$503,597,000), representing a 17.9% decrease as compared with the same period in the previous year. The gross profit margin of fashion business was 67.1%, representing an increase of 1.6 percentage points as compared with 65.5% for the same period last year. The gross profit margin of cosmetics business for the year was 32.8%, representing a decrease of 1.8 percentage points as compared with 34.6% for the same period last year. The Group recorded a loss of HK$25,894,000 during the year as compared with a profit of HK$58,933,000 last year. The turnaround from profit to loss was mainly attributable to the segment loss of HK$14,634,000 (2016: a profit of HK$94,019,000) recorded by the Group's cosmetics business for the year due to the persistent weak performance of the consumer market in Hong Kong. The fashion business recorded a segment loss of HK$8,003,000 for the year (2016: HK$8,850,000). Whereas, an increase in fair value of investment properties of HK$9,937,000 was recorded for the year. 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, which acquired by the Group during the year as an investment property.

Cosmetics Business

As at 31st March, 2017, the Group had 90 ***Colourmix*** stores (31st March, 2016: 85 stores), of which 85 stores were located in Hong Kong, 4 stores were in Macau, and 1 store was in China. In August 2015, the Group established another cosmetics store, namely ***MORIMOR***. As at 31st March, 2017, 7 ***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 and beauty concepts, with diversified products covering skin care, fragrance, make-up, hairdressing, body care and cosmeceuticals and health food. In addition, the professional beauty consultants offer customised personal services and consultations on skin care so that customers can enjoy the relaxed and pleasant experience of beauty services. During the year, cosmetics retail business recorded a turnover of HK$1,604,151,000 (2016: HK$1,722,866,000), representing a decrease of 6.9% and accounting for 79.5% of the Group's total turnover. The gross profit margin of the cosmetics business for the year was 32.8%, representing a decrease of 1.8 percentage points as compared with 34.6% for the same period last year. The cosmetics business for the year recorded a segment loss of HK$14,634,000. As a result of the rapid growth experienced in the past consecutive years, a considerably high base has been accumulated for the cosmetics business. With a reduction in sales figures due to the persisting weakness in the retail market and overall consumption environment in Hong Kong as well as a drop in the number of inbound visitors to Hong Kong during the year under review, the Group had to stimulate sales by offering multiple promotional discounts and organising marketing activities, which led to reduced gross profit margin and a significant decrease in segment result as compared with the same period last year.

Fashion Business

As at 31st March, 2017, the Group had a total number of 119 fashion stores in Hong Kong, Macau, Singapore and the Mainland China (31st March, 2016: 128 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, particularly in Singapore and China during the year, to alleviate the negative impact on the overall results of fashion business in the future. During the year under review, the retail market in Hong Kong was extremely weak, resulting in a decline of 17.9% in the turnover of the Group's fashion business. Nevertheless, the gross profit margin of fashion business increased by 1.6 percentage points to 67.1% as compared with the same period last year. It was mainly attributable to a reduction in production costs due to the Group's stringent control over procurement and production costs. During the year, fashion business recorded a segment loss of HK$8,003,000, narrowed by 9.6% as compared with the segment loss of HK$8,850,000 for the same period last year.

Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 87.1% of the Group's total turnover in fashion business. During the year ended 31st March, 2017, the turnover of Hong Kong and Macau market reached HK$360,158,000 (2016: HK$401,011,000), representing a decrease of 10.2% as compared with the same period last year, and the turnover of comparable stores for the year also recorded a decrease of 8.1%. The gross profit margin of Hong Kong and Macau regions raised by 1.1 percentage points to 69.5% as compared with same period last year. It was mainly attributable to the reduction in product costs. As at 31st March, 2017, the Group had a total of 85 stores established in Hong Kong and Macau (31st March, 2016: 82 stores).

Fashion Business – Singapore Market

The retail business in Singapore recorded a turnover of HK$25,942,000 (2016: HK$33,178,000) for the year, representing a decrease of 21.8% as compared with the same period last year. As of 31st March, 2017, the Group had 5 stores in Singapore (31st March, 2016: 8 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. During the year under review, the turnover of comparable stores decreased by 7.7% in local currency terms as compared with the same period last year.

Fashion Business – China Market

The turnover of the China market for the year reached HK$27,150,000 (2016: HK$31,992,000), representing a decrease of 15.1% as compared with the same period last year, mainly due to a decrease in the number of stores. As of 31st March, 2017, the Group had a total of 29 ***Veeko*** and ***Wanko*** stores in China (31st March, 2016: 38 stores).

PROSPECTS

Owing to the weak consumption sentiment of local citizens and tourists, the retail market in Hong Kong currently encounters a major challenge. It is expected that the challenge faced by the retail business will continue, and consumption sentiments will remain cautious. Despite the unfavorable market conditions, the Group will continue to seek opportunities for growth. Nevertheless, the management will continue to monitor the market closely in the future for various fluctuations and uncertainties, and take appropriate measures accordingly. In the meantime, the Group will remain to be prudent in its financial and operational management through stringent costs control and strengthened inventory management, so as to lower inventory costs and enhance inventory efficiency. Looking forward, 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 for the provision of quality professional services, and stepping up internal consolidation.

Regarding the fashion retail business, the Hong Kong and Macau market accounted for 87.1% 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 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 will continue to be cautious in the adjustment of the overseas store portfolio. Underperforming stores will be closed down further for redeployment of resources to profitable stores. The number of stores in the Singapore market, in particular, decreased from 8 to 5 during the year under review. It is expected that if there is no sign of recovery in sales, the Group will continue to scale down its business in this market. In addition, the Group will also be committed to controlling production costs. This includes the strategic phasing out of the Zhuhai production plant and the redeployment of production resources to the existing production plant in Shantou. It is believed that this can further reduce production costs and raise gross profit margin.

Under the challenging environment, the Group will continue to be cautious in adjusting its store portfolio and reviewing rental levels. Given the slowdown in the retail market with declined rental rates in prime districts, the bargaining power of retailers are enhanced and therefore it helps reduce the rental pressure for stores with expiring lease terms. The Group will close down certain stores with low performance and open new stores in prime locations, with the expectation that there will be additional rental savings in the coming year. The Group also constantly explores for investment opportunities. In November 2016, the Group completed the acquisition of a whole floor property located at G/F, No. 86 San Hong Street North New Territories, Hong Kong at a consideration of HK$79,225,000. Currently, the property is held for investment purpose by generating income through rental. The Group considered the acquisition was an investment opportunity, which may also be used as a retail store of the Group in the future. In addition, the Group will strive to uplift its competitiveness, improve operational efficiency and reduce costs in order to increase profit margin, such that we can lay a solid foundation for the Group's sustainable growth in the future and for the shareholders' steady return in the long run.

LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital decreased from HK$423,090,000 as at 31st March, 2016 to HK$300,743,000 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$86,112,000 (31st March, 2016: HK$80,461,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK$300,132,000 (31st March, 2016: HK$161,056,000). The borrowings were mainly used for the acquisition of an investment property at a consideration of HK$79,225,000 in November, 2016

At the end of the reporting period, the current ratio was 1.77 times (31st March, 2016: 2.78 times) and the gearing ratio of the Group was 0.43 (31st March, 2016: 0.21) which was calculated based on the Group's total borrowings of HK$300,132,000 (31st March, 2016: HK$161,056,000) and the total equity of HK$699,447,000 (31st March, 2016: HK$752,689,000).

At 31st March, 2017, the Group had banking facilities amounting to HK$367,567,000 (31st March, 2016: HK$292,305,000), of which HK$323,730,000 (31st March, 2016: HK$189,257,000) 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 29% (2016: 36%) 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$237,622,000 (31st March, 2016: HK$147,676,000).

CONTINGENT LIABILITIES

At 31st March, 2017, the Company had provided guarantees of HK$450,822,000 (31st March, 2016: HK$322,042,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF & REMUNERATION POLICIES

At 31st March, 2017, the Group had approximately 2,200 employees (31st March, 2016: approximately 2,600). 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 Thursday, 7th September, 2017. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 4th September, 2017 to Thursday, 7th September, 2017 (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 Friday, 1st September, 2017.

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, 2017.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2017 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 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results for the year ended 31st March, 2017. 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, 2017 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, 2017 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, 2017

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.