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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2019**

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Veeko International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th September, 2019. The results, together with the comparative figures for the corresponding period in 2018, are summarised below:

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

For the six months ended 30th September, 2019

		Six months ended 30th September,	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	4	601,843	869,799
Cost of goods sold		(371,857)	(546,409)
Gross profit		229,986	323,390
Selling and distribution costs		(263,959)	(296,993)
Administrative expenses		(51,819)	(52,631)
Other income, gains and losses		7,223	8,456
(Decrease) increase in fair value of investment properties		(18,151)	5,963
Finance costs		(12,200)	(4,494)

		Six months ended	
		30th September,	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Loss before tax		(108,920)	(16,309)
Income tax expense	5	<u>(3,353)</u>	<u>(2,740)</u>
Loss for the period	6	<u>(112,273)</u>	<u>(19,049)</u>
Other comprehensive income (expense)			
for the period			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of properties		1,893	2,378
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>(5,529)</u>	<u>(8,620)</u>
		<u>(3,636)</u>	<u>(6,242)</u>
Total comprehensive expense for the period		<u>(115,909)</u>	<u>(25,291)</u>
Dividends	7	<u>2,518</u>	<u>12,288</u>
Loss per share	8		
Basic and diluted		<u>HK(4.459) cents</u>	<u>HK(0.775) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2019

		30th September, 2019 (Unaudited) <i>HK\$'000</i>	31st March, 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current Assets			
Investment properties		297,369	186,095
Property, plant and equipment		156,243	167,525
Right-of-use assets		143,340	–
Prepaid lease payments		–	4,351
Rental deposits paid		36,929	40,679
Deposits paid for acquisition of investment property		–	21,739
Deferred tax assets		4,367	5,089
		638,248	425,478
Current Assets			
Inventories		437,842	432,792
Trade and other receivables	9	30,098	40,057
Prepaid lease payments		–	171
Rental and utility deposits paid		54,243	58,801
Tax recoverable		9,132	9,488
Bank balances, deposits and cash		33,462	56,064
		564,777	597,373
Current Liabilities			
Trade and other payables	10	65,986	80,142
Dividends payable		2,518	–
Rental deposits received		874	874
Secured bank borrowings		433,507	265,590
Lease liabilities		52,301	–
Obligations under finance lease		–	224
Provision		9,111	22,406
Tax payable		2,201	2,267
		566,498	371,503
Net Current (Liabilities) Assets		(1,721)	225,870
		636,527	651,348

	30th September, 2019 (Unaudited) HK\$'000	31st March, 2019 (Audited) HK\$'000
Capital and Reserves		
Share capital	25,180	25,180
Reserves	471,921	604,650
	<u>497,101</u>	<u>629,830</u>
Non-current Liabilities		
Deferred tax liabilities	12,204	11,311
Lease liabilities	126,048	–
Obligations under finance lease	–	393
Provision	–	9,097
Rental deposits received	1,174	717
	<u>139,426</u>	<u>21,518</u>
	<u>636,527</u>	<u>651,348</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK\$112,273,000 for the six months ended 30th September, 2019 and the Group’s current liabilities exceed its current assets by HK\$1,721,000 as at 30th September, 2019. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due for the foreseeable future, after taking into consideration the following factors: (i) the unutilised borrowing facilities of approximately HK\$69,703,000 as at 30th September, 2019 and (ii) the estimated future cash flows of the Group. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2019.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st April, 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$270,123,000 and right-of-use assets of HK\$ 241,724,000 at 1st April, 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.75% to 4.85%.

	As at 1st April, 2019 HK\$'000
Operating lease commitments disclosed as at 31st March, 2019	408,963
Lease liabilities discounted at relevant incremental borrowing rates	(60,841)
Less: Recognition exemption – short-term leases	(78,616)
	269,506
Add: Obligations under finance leases recognised as at 31st March, 2019	617
Lease liabilities as at 1st April, 2019	270,123
Analysed as	
Current	143,958
Non-current	126,165
	270,123

The carrying amount of right-of-use assets as at 1st April, 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases	
recognised upon application of HKFRS 16	255,078
Reclassified from prepaid lease payments	4,522
Amounts included in property, plant and equipment under HKAS 17	
– Restoration and reinstatement costs	1,487
Adjustments on rental deposits at 1st April, 2019	3,029
Less: Provisions for onerous leases	<u>(22,392)</u>
	<u><u>241,724</u></u>
By class of underlying assets:	
Land and buildings	237,202
Leasehold land	<u>4,522</u>
	<u><u>241,724</u></u>

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1st April, 2019.

	Impact of adopting HKFRS 16 at 1st April, 2019 <i>HK\$'000</i>
Retained profits	
Decrease upon application of HKFRS 16	<u>(14,332)</u>
Impact at 1st April, 2019	<u><u>(14,332)</u></u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st April, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st March, 2019	Adjustments	Carrying amounts under HKFRS 16 at 1st April, 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	167,525	(1,487)	166,038
Prepaid lease payments	4,351	(4,351)	–
Right-of-use assets	–	241,724	241,724
Rental deposits paid	40,679	(5,361)	35,318
Current Assets			
Prepaid lease payments	171	(171)	–
Other receivable	16,106	41	16,147
Capital and Reserves			
Reserves	604,650	(14,332)	590,318
Current Liabilities			
Lease liabilities	–	(143,958)	(143,958)
Obligations under finance leases	(224)	224	–
Other payables	(42,148)	2,387	(39,761)
Provision	(22,406)	13,295	(9,111)
Non-current liabilities			
Lease liabilities	–	(126,165)	(126,165)
Obligations under finance leases	(393)	393	–
Provision	(9,097)	9,097	–

4. REVENUE AND SEGMENT INFORMATION

For the six months ended 30th September, 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	493,295	–	493,295
Manufacture and sale of ladies fashion	–	108,548	108,548
Total	<u>493,295</u>	<u>108,548</u>	<u>601,843</u>
Timing of revenue recognition			
A point in time	<u>493,295</u>	<u>108,548</u>	<u>601,843</u>
Geographical markets			
Hong Kong and Macau	491,707	101,239	592,946
Other regions of the People's Republic of China (the "PRC")	1,588	7,309	8,897
Total	<u>493,295</u>	<u>108,548</u>	<u>601,843</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 segment has 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

All revenue generated by the Group is recognised at a point in time.

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

	Unaudited six months ended 30th September, 2019				
	Cosmetics	Fashion	Segment Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE					
External sales	493,295	108,548	601,843	–	601,843
Inter-segment sales	–	9	9	(9)	–
	<u>493,295</u>	<u>108,557</u>	<u>601,852</u>	<u>(9)</u>	<u>601,843</u>
SEGMENT LOSS	<u>(60,075)</u>	<u>(24,036)</u>	<u>(84,111)</u>	–	(84,111)
Decrease in fair value of investment properties					(18,151)
Other income, gains and losses					4,003
Central administration costs					(3,779)
Finance costs					<u>(6,882)</u>
Loss before tax					<u>(108,920)</u>

Unaudited six months ended 30th September, 2018

	Segment			Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Total <i>HK\$'000</i>		
REVENUE					
External sales	736,681	133,118	869,799	–	869,799
Inter-segment sales	–	25	25	(25)	–
	<u>736,681</u>	<u>133,143</u>	<u>869,824</u>	<u>(25)</u>	<u>869,799</u>
SEGMENT LOSS	<u>(4,073)</u>	<u>(13,521)</u>	<u>(17,594)</u>	–	<u>(17,594)</u>
Increase in fair value of investment properties					5,963
Other income, gains and losses					2,909
Central administration costs					(3,093)
Finance costs					<u>(4,494)</u>
Loss before tax					<u>(16,309)</u>

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

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 decrease/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 liabilities is presented as the executive directors of the Company do not review such information for the purposes of resource allocation and performance assessment.

Other Segment Information

Amounts included in the measure of segment results or regularly reviewed by the chief operating decision makers:

	Unaudited six months ended 30th September, 2019				
	Cosmetics	Fashion	Segment Total	Corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure					
– Property, plant and equipment	1,945	1,061	3,006	–	3,006
– Investment properties	–	–	–	128,456	128,456
Depreciation of right-of-use assets	65,269	28,138	93,407	–	93,407
Depreciation of property, plant and equipment	7,220	3,624	10,844	1,252	12,096
Impairment loss recognised in respect of right-of-use assets	5,140	–	5,140	–	5,140
Scrap and shrinkage for inventories	3,641	376	4,017	–	4,017

	Unaudited six months ended 30th September, 2018				
	Cosmetics	Fashion	Segment Total	Corporate	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure					
– Property, plant and equipment	2,293	4,346	6,639	–	6,639
Depreciation of property, plant and equipment	9,587	4,626	14,213	1,254	15,467
Scrap and shrinkage for inventories	3,546	560	4,106	–	4,106

(b) **Geographical information**

The Group's operations are principally located in Hong Kong and Macau, and other regions of the PRC. Information about the Group's revenue from external customers is presented based on the geographical locations of operations.

	Six months ended	
	30th September,	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong and Macau	592,946	856,533
Other regions of the PRC	8,897	13,266
	601,843	869,799

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

5. INCOME TAX EXPENSE

	Six months ended	
	30th September,	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Profits tax		
Hong Kong	336	460
Other jurisdictions	1,603	1,031
Deferred tax	1,414	1,249
	3,353	2,740

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, 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%.

6. LOSS FOR THE PERIOD

	Six months ended	
	30th September,	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	–	91
Depreciation of right-of-use assets	93,407	–
Depreciation of property, plant and equipment	12,096	15,467
Loss on disposal of property, plant and equipment, net (included in other income, gains and losses)	292	97
Net exchange gain (included in other income, gains and losses)	(1,131)	(2,188)
Bank interest income	(39)	(36)
Rental income from investment properties, with negligible outgoings	(3,965)	(2,873)
Impairment loss recognised in respect of right-of-use assets	5,140	–
	=====	=====

7. DIVIDENDS

Six months ended 30th September,	
2019	2018
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Dividends recognised as distribution during the period:

2019 final dividend of HK0.1 cent
(2018: HK0.5 cent) per share

2,518	12,288
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The 2019 final dividend of HK0.1 cent per share in cash has been approved in the annual general meeting held on 10th September, 2019. HK\$2,518,000 cash dividend has been paid on 16th October, 2019.

8. LOSS PER SHARE

Six months ended 30th September,	
2019	2018
(Unaudited)	(Unaudited)

Loss for the period attributable to owners of the Company
for the purpose of basic loss per share

HK\$(112,273,000)	HK\$(19,049,000)
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Number of shares:

Weighted average number of ordinary shares for
the purpose of basic loss per share

2,518,001,334	2,457,576,574
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The computation of diluted loss per share in both periods does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

9. TRADE AND OTHER RECEIVABLES

At 30th September, 2019, included in the Group's trade and other receivables were trade receivables of HK\$18,352,000 (31st March, 2019: HK\$23,951,000). 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:

	30th September, 2019 (Unaudited) HK\$'000	31st March, 2019 (Audited) HK\$'000
Within 30 days	8,078	14,828
31 – 60 days	238	633
61 – 90 days	139	665
91 – 120 days	186	479
Over 120 days	9,711	7,346
	18,352	23,951

10. TRADE AND OTHER PAYABLES

At 30th September, 2019, included in the Group's trade and other payables were trade payables of HK\$24,891,000 (31st March, 2019: HK\$37,994,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	30th September, 2019 (Unaudited) HK\$'000	31st March, 2019 (Audited) HK\$'000
Within 30 days	15,889	26,545
31 – 60 days	4,440	6,168
61 – 90 days	2,410	2,581
Over 90 days	2,152	2,700
	24,891	37,994

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the financial year ending 31st March, 2020 (2019: HK0.20 cent per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September, 2019, the Group recorded a turnover of HK\$601,843,000 (2018: HK\$869,799,000), representing a decrease of 30.8% as compared with the corresponding period last year. Included in the amount of turnover, HK\$493,295,000 (2018: HK\$736,681,000) was generated by the cosmetics business, representing a decrease of 33.0% as compared with the same period last year and accounting for 82.0% of the Group's total turnover (2018: 84.7%). The turnover of fashion business amounted to HK\$108,548,000 (2018: HK\$133,118,000), representing a 18.5% decrease as compared with the same period last year. During the period under review, the retail sector remained weak in face of the intensifying Sino-US trade war and further depreciation of the Renminbi exchange rate, with decreases in the turnover of the cosmetics and fashion business segments of the Group. During the period under review, the Group recorded a loss of HK\$112,273,000 (2018: loss of HK\$19,049,000). The substantial increase in loss as compared with the same period last year was mainly attributable to the reduction in the turnover of the Group as a result of the retail market conditions. During the period under review, the fashion business recorded a segment loss of HK\$24,036,000 (2018: loss of HK\$13,521,000), and the cosmetics business recorded a segment loss of HK\$60,075,000 (2018: loss of HK\$4,073,000), which included the provision for onerous contracts in respect of the Group's non-performing retail outlets. In addition, the fair value of investment properties recorded a depreciation of HK\$18,151,000 during the period (2018: appreciation of HK\$5,963,000), which was mainly attributable to the capitalization of related expenses and stamp duty of approximately HK\$10,956,000 for an investment property acquired by the Group during the period.

Cosmetics Business

As of 30th September, 2019, the Group had 80 cosmetics stores in total (30th September, 2018: 88 stores), with 75 *Colourmix* stores and 5 *MORIMOR* stores respectively, most of which were located in Hong Kong and Macau. During the period under review, the Group focused on the improvement of product displays in its stores to enhance the shopping experience of the customers, and provided its customers with skin care consultations through professional and intimate beauty consultants. The cosmetics business recorded a segment loss of HK\$60,075,000 (2018: loss of HK\$4,073,000) for the period, representing a significant increase in loss as compared with the same period last year, mainly due to the decrease in turnover as a result of the weakening retail market conditions, further depreciation in Renminbi and the overall slowdown of consumption sentiments. Also provisions were made for onerous contracts in respect of the Group's non-performing retail stores. During the period, the Group successively closed down the cosmetics stores with unsatisfactory performance. It will continue to exercise prudence in adjusting its store portfolio and focus its operation on profitable stores.

Fashion Business

As of 30th September, 2019, the Group had 81 fashion stores (30th September, 2018: 91 stores) under the brands *Veeko* and *Wanko*, most of which were located in Hong Kong and Macau. The Group closed down the fashion stores with unsatisfactory performance and directed more resources to the profitable ones. Impacted by the retail market conditions, the turnover of the Group's fashion business declined during the period under review, resulting in an increase in its segment loss as compared with the same period of last year.

Prospects

Facing the uncertainty of the retail market conditions currently in Hong Kong, the Group will actively take various contingency measures to cope with the challenges. In particular, the management will maintain its prudent financial and operational management, and strive to control costs by minimizing its operating costs such as selling and administrative expenses. The Group will also launch promotions with various incentives to reduce inventory costs and retain cash. Looking forward, the Group will adjust its market strategies, explore trendy beauty products with more potentials and improve the quality of customer services to enhance its competitiveness. In addition, the Group will further close down the non-performing retail stores and closely monitor the condition of the rental market with a view to strive for reduction of rental, thus increasing the profitability of its stores. The Group will also actively explore ways to promote the growth of its cosmetics business, enhance the brand's popularity, expand customer base and increase turnover through various e-commerce platforms.

Regarding the fashion business, The Group will primarily continue to focus on the Hong Kong and Macau market in the future, actively optimize its product design portfolio and improve customers' shopping experience to meet the demand of the market. Meanwhile, the Group will also continue to adjust prudently its store portfolio by deploying more resources to the profitable stores.

Looking ahead, the retail market in Hong Kong is still expected to be full of challenges. The Group will continue to focus on its business, explore new markets and seek new business opportunities, laying a solid foundation for its sustainable and stable development in the future.

LIQUIDITY & FINANCIAL RESOURCES

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong Dollar and Renminbi) amounted to HK\$33,462,000 (31st March, 2019: HK\$56,064,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$433,507,000 (31st March, 2019: HK\$265,590,000).

At the end of the reporting period, the current ratio was 1.00 time (31st March, 2019: 1.61 times) and the gearing ratio of the Group was 0.87 (31st March, 2019: 0.42) which was calculated based on the Group's total borrowings of HK\$433,507,000 (31st March, 2019: HK\$266,207,000) and the total equity of HK\$497,101,000 (31st March, 2019: HK\$629,830,000).

At 30th September, 2019, the Group had banking facilities amounting to HK\$520,769,000 (31st March, 2019: HK\$429,240,000), of which HK\$451,066,000 (31st March, 2019: HK\$282,555,000) 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. 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\$434,824,000 (31st March, 2019: HK\$329,104,000).

CONTINGENT LIABILITIES

At 30th September, 2019, the Company had provided guarantees of HK\$730,062,000 (31st March, 2019: HK\$644,923,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF AND REMUNERATION POLICIES

At 30th September, 2019, the Group had approximately 1,500 employees (31st March, 2019: approximately 1,700). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performances. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and incentive to enhance their loyalty to the Group.

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

During the six months ended 30th September, 2019, 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 as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions 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 six months ended 30th September, 2019.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2019 have been reviewed by the Audit Committee. The Audit Committee comprises all the three independent non-executive directors.

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.

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

Hong Kong, 27th November, 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, Mr. Cheng Man Loong, Monty and Mr. Yeung Wing Kay.