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, 2020

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, 2020 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, 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Revenue	3	**1,042,397**	1,693,426
Cost of goods sold		**(645,047)**	(1,065,060)
Gross profit		**397,350**	628,366
Selling and distribution costs		**(463,688)**	(582,745)
Administrative expenses		**(103,189)**	(108,562)
Other income (expense), gains and losses		**15,643**	(17,901)
Impairment loss under expected credit loss model, net of reversal		**(3,995)**	–
(Decrease) increase in fair value of investment properties		**(11,707)**	21,079
Impairment of property, plant and equipment		**(6,790)**	(2,197)
Impairment of right-of-use assets		**(53,717)**	–
Finance costs		**(25,585)**	(9,057)
Loss before tax		**(255,678)**	(71,017)
Income tax expense	4	**(2,770)**	(8,334)
Loss for the year	5	**(258,448)**	(79,351)

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Other comprehensive income (expense) for the year			
Item that will not be reclassified subsequently to profit or loss			
Gain on revaluation of properties, net of deferred tax		**3,245**	4,193
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(4,123)**	(6,774)
Other comprehensive expense for the year		**(878)**	(2,581)
Total comprehensive expense for the year		**(259,326)**	(81,932)
		HK cents	*HK cents*
Loss per share	7		
– basic		**(10.264)**	(3.196)
– diluted		**(10.264)**	(3.196)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Non-current Assets			
Investment properties		**306,113**	186,095
Property, plant and equipment		**144,432**	167,525
Right-of-use assets		**180,278**	–
Prepaid lease payments		**–**	4,351
Rental deposits paid		**29,504**	40,679
Deposits paid for acquisition of investment property		**–**	21,739
Deferred tax assets		**4,745**	5,089
		665,072	425,478
Current Assets			
Inventories		**356,014**	432,792
Trade and other receivables	8	**25,527**	40,057
Prepaid lease payments		**–**	171
Rental and utility deposits paid		**46,635**	58,801
Tax recoverable		**9,806**	9,488
Bank balances, deposits and cash		**26,476**	56,064
		464,458	597,373
Current Liabilities			
Trade and other payables	9	**61,415**	80,142
Rental deposits received		**700**	874
Secured bank borrowings		**420,059**	265,590
Lease liabilities		**158,974**	–
Obligations under finance lease		**–**	224
Provision		**4,481**	22,406
Tax payable		**893**	2,267
		646,522	371,503
Net Current (Liabilities) Assets		**(182,064)**	225,870
		483,008	651,348

	2020	2019
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**25,180**	25,180
Reserves	**329,184**	604,650
	354,364	629,830
Non-current Liabilities		
Rental deposits received	**577**	717
Deferred tax liabilities	**11,608**	11,311
Lease liabilities	**116,459**	–
Obligations under finance lease	**–**	393
Provision	**–**	9,097
	128,644	21,518
	483,008	651,348

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.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the Group's net loss of HK$258,448,000 and net current liabilities position of HK$182,064,000, the outstanding bank borrowings and lease liabilities due for repayment against the expected future net cash inflows from operations, cash and cash equivalents and the existing credit facilities of the Group.

The Group has prepared a cash flow projections based on management's judgments and estimations of key inputs and market conditions, including revenue and expenditure growth of the business and working capital needs and, the continued renewal of the banking facilities. The directors' assessment included consideration of potential downside factors and working capital sensitivities and have identified mitigating actions that could be taken to further reduce cash expenditure if necessary or increase credit facilities.

The directors of the Company consider that after taking into account the cash and cash equivalents, internal resources and, existing credit facilities and cash flow projections including sensitivity scenarios, the Group will have sufficient liquidity to meet its financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

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

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

HKFRS 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st April, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st April, 2019.

As at 1st April, 2019, the Group recognised lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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% per annum.

	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	**343,524**
Less: Recognition exemption – short-term leases and practical expedient-leases with lease term ending within 12 months from the date of initial application	**(66,249)**
Lease liabilities relating to operating lease recognised upon application of HKFRS 16	**277,275**
Add: Obligations under finance leases recognised as at 31st March, 2019	**617**
Lease liabilities as at 1st April, 2019	**277,892**
Analysed as	
Current	**151,727**
Non-current	**126,165**
	277,892

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

	Notes	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		261,215
Reclassified from prepaid lease payments	(a)	4,522
Amounts included in property, plant and equipment under HKAS 17		
– Restoration and reinstatement costs	(b)	1,487
Adjustments on rental deposits at 1st April, 2019	(c)	2,694
Less: Provisions for onerous leases	(d)	(22,392)
		247,526
By class of underlying assets:		
Retail stores and office properties		243,004
Leasehold land outside Hong Kong		4,522
		247,526

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31st March, 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$171,000 and HK$4,351,000 respectively were reclassified to right-of-use assets.

(b) In relation to the leases of properties that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK$1,487,000 as at 1st April, 2019 were included as right-of-use assets.

(c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$2,694,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(d) These relate to provisions for onerous leases for several retail stores. The carrying amount of the provisions as at 1st April, 2019 was adjusted to right-of-use assets at transition.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(e) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1st April, 2019. The application has had no impact on the Group's consolidated statement of financial position at 1st April, 2019. However, effective 1st April, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under rental deposits received. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

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 *HK$'000*
Retained profits	
Decrease upon application of HKFRS 16 *(Note)*	(13,673)
Impact at 1st April, 2019	(13,673)

Note: The difference between the rental expenses charged to profit or loss under HKAS 17 and the aggregate amount of depreciation of right-of-use assets and interest expense on lease liabilities under HKFRS 16 as if HKFRS 16 had been applied since the commencement dates of the leases (i.e. the difference between right-of-use assets and lease liabilities recognized as at initial application of HKFRS 16) has been adjusted to retained profits.

The amount included accrued lease liabilities for leases of retail stores in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1st April, 2019 was adjusted to retained profits at transition.

The following adjustments were made to the amounts recognised in the 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
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	167,525	(1,487)	166,038
Prepaid lease payments	4,351	(4,351)	–
Right-of-use assets	–	247,526	247,526
Rental deposits paid	40,679	(2,694)	37,985
Current Assets			
Prepaid lease payments	171	(171)	–
Capital and Reserves			
Reserves	604,650	(13,673)	590,977
Current Liabilities			
Lease liabilities	–	151,727	151,727
Obligations under finance lease	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 lease	393	(393)	–
Provision	9,097	(9,097)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st March, 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st April, 2019 as disclosed above.

No adjustments have been made, in the application of HKFRS 16 as a lessor, on the Group's consolidated statement of financial position as at 31st March, 2020 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year.

3. SEGMENT INFORMATION

For the year ended 31st March, 2020

Disaggregation of revenue from contracts with customers

	Cosmetics	**Fashion**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Types of goods			
Sale of cosmetics	836,040	–	836,040
Manufacture and sale of ladies fashion	–	206,357	206,357
Total	836,040	206,357	1,042,397
Timing of revenue recognition			
A point in time	836,040	206,357	1,042,397
Geographical markets			
Hong Kong and Macau	833,652	193,198	1,026,850
Other regions of the People's Republic of China ("PRC")	2,388	13,159	15,547
Total	836,040	206,357	1,042,397

For the year ended 31st March, 2019

Disaggregation of revenue from contracts with customers

	Cosmetics	**Fashion**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Types of goods			
Sale of cosmetics	1,408,287	–	1,408,287
Manufacture and sale of ladies fashion	–	285,139	285,139
Total	1,408,287	285,139	1,693,426
Timing of revenue recognition			
A point in time	1,408,287	285,139	1,693,426
Geographical markets			
Hong Kong and Macau	1,403,322	264,882	1,668,204
Other regions of the PRC	4,965	20,257	25,222
Total	1,408,287	285,139	1,693,426

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

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

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

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

(a) *Operating segments*

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

The Group's reportable and operating segments under HKFRS 8 *Operating Segments* 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, 2020

	Cosmetics	**Fashion**	**Segment total**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	**836,040**	**206,357**	**1,042,397**	**–**	**1,042,397**
Inter-segment sales	**–**	**187**	**187**	**(187)**	**–**
	836,040	**206,544**	**1,042,584**	**(187)**	**1,042,397**
SEGMENT LOSS	**(173,718)**	**(57,202)**	**(230,920)**	**–**	**(230,920)**
Decrease in fair value of investment properties					**(11,707)**
Other income, gains and losses					**8,156**
Central administration costs					**(7,069)**
Finance costs					**(14,138)**
Loss before tax					**(255,678)**

For the year ended 31st March, 2019

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

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 change 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 chief operating decision makers 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, and other regions of the PRC. Information about the Group's revenue from external customers is presented based on the geographical locations of operations.

	2020 ***HK$'000***	2019 *HK$'000*
Hong Kong and Macau	**1,026,850**	1,668,204
Other regions of the PRC	**15,547**	25,222
	1,042,397	1,693,426

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

4. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**1,005**	869
Under(over) provision in prior years	**423**	(16)
	1,428	853
Income tax in other jurisdictions		
Current year	**1,384**	2,134
(Over)underprovision in prior years	**(77)**	421
	1,307	2,555
Deferred tax		
Current year	**35**	4,926
	2,770	8,334

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

Accordingly, starting from the year ended 31st March, 2019, 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.

A subsidiary is subject to Singapore income tax of 17%.

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

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

5. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	**189,151**	229,530
Share-based payments	**51**	174
Retirement benefits scheme contributions	**9,786**	10,848
	198,988	240,552
Amortisation of prepaid lease payments	**–**	176
Auditors' remuneration		
– audit services	**2,044**	1,927
– non-audit services	**384**	386
Cost of inventories recognised as expenses *(Note a)*	**645,047**	1,065,060
Depreciation of property, plant and equipment	**23,542**	28,991
Depreciation of right-of-use assets	**189,598**	–
Bank interest income *(Note b)*	**(59)**	(62)
Net loss on disposal of property, plant and equipment *(Note b)*	**901**	89
Net exchange loss (gain) *(Note b)*	**1,011**	(1,330)
Rental income from investment properties, with negligible outgoings *(Note b)*	**(7,471)**	(5,890)
(Reversal of) provision for onerous contracts *(Note b)*	**(4,630)**	31,503

Note:

(a) Cost of inventories recognised as expenses included scrap, shrinkage and provisions for slow moving inventories of HK$10,371,000 (2019: HK$17,533,000).

(b) The amounts are included in other income (expense), gains and losses.

6. DIVIDENDS

Dividends recognised as distribution during the year:

	2020	2019
	HK$'000	*HK$'000*
2020 interim dividend of nil (2019: 2019 interim dividend of HK0.2 cent) per share	**–**	5,036
2019 final dividend of HK0.1 cent (2019: 2018 final dividend of HK0.5 cent) per share	**2,518**	12,288
	2,518	17,324

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. The board of directors has decided not to declare a final dividend for the year ended 31st March, 2020.

7. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the loss for the year of HK$258,448,000 (2019: HK$79,351,000) and on the weighted average number of ordinary shares of the Company set out below.

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,518,001,334**	2,482,739,762

The computation of diluted loss per share for the year ended 31st March, 2020 and 2019 does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share.

8. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**14,095**	23,951
Less: allowance for expected credit losses	**(3,995)**	–
	10,100	23,951
Other receivables *(Note)*	**15,427**	16,106
	25,527	40,057

Note: The amount included rental prepayment and rental deposit paid to a related company of HK$718,000 (2019: nil), which is beneficially owned by the substantial shareholder of the Company. The balance is interest-free and repayable on demand.

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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**3,150**	14,828
31 – 60 days	**973**	633
61 – 90 days	**3,001**	665
91 – 120 days	**204**	479
Over 120 days	**2,772**	7,346
	10,100	23,951

Before accepting any new wholesale customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customer. Credit sales are made to customers with a satisfactory and trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

9. TRADE AND OTHER PAYABLES

At 31st March, 2020, included in the Group's trade and other payables were trade payables of HK$20,257,000 (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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**8,454**	26,545
31 – 60 days	**6,800**	6,168
61 – 90 days	**3,178**	2,581
Over 90 days	**1,825**	2,700
	20,257	37,994

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As at 31st March, 2020, the Group recorded a revenue of HK$1,042,397,000 (2019: HK$1,693,426,000), representing a decrease of 38.4% as compared with the same period last year. Included in the amount of revenue, HK$836,040,000 (2019: HK$1,408,287,000) was derived from the cosmetics business, representing a decrease of 40.6% over the same period last year and 80.2% of the Group's total revenue (2019: 83.2%). The revenue of the fashion business amounted to HK$206,357,000 (2019: HK$285,139,000), representing a decrease of 27.6% as compared with the same period last year.

The Group recorded a loss of HK$258,448,000 for the year (2019: a loss of HK$79,351,000), mainly due to the drop in sales of both cosmetics and fashion businesses of the Group amid the cautious consumer market sentiment and continuously weak retail environment in Hong Kong, especially since i) the social incidents in Hong Kong beginning since July 2019 and ii) the outbreak of the novel coronavirus (COVID-19) (the "Epidemic") in January 2020. In particular, we saw a significant decline in sales in the second half of the financial year. During the year, the cosmetics business recorded a segment loss of HK$173,718,000 (2019: a loss of HK$52,884,000), and the fashion business recorded a segment loss of HK$57,202,000 (2019: a loss of HK$29,797,000). Since the Group had a relatively larger number of loss-making stores for the year, we had to make provisions for impairment of property, plant and equipment, right-of-use assets and onerous lease contracts of the relevant stores. During the year ended 31st March, 2020, the said provisions, together with inventories and other provisions, amounted to approximately HK$61,643,000 (2019: HK$36,021,000) in aggregate. In addition, the loss for the year included a decrease in fair value of investment properties amounting to HK$11,707,000 (2019: an appreciation of HK$21,079,000). Excluding the effect of the said non-cash provisions and decrease in the fair value of investment properties, the Group would have recorded a loss of approximately HK$185,097,000 for this financial year (2019: a loss of HK$64,409,000).

Cosmetics Business

As at 31st March, 2020, the Group had 78 cosmetics stores (31st March, 2019: 87 stores), with 74 ***Colourmix*** stores and 4 ***MORIMOR*** stores respectively, of which 72 stores were located in Hong Kong and 6 stores were located in Macau. As the social unrest in Hong Kong intensified in the second half of 2019/2020, coupled with the outbreak of Epidemic in early 2020, the inbound tourism of Hong Kong and Macau was hit and the consumption sentiment was dampened, and in particular the retail industry was the first to bear the brunt. As a result, the Group has suspended the operation of certain cosmetics stores located in the port areas. During the period under review, the revenue of the Group's cosmetics business amounted to HK$836,040,000 (2019: HK$1,408,287,000), representing a decrease of 40.6% as compared with the same period last year. The cosmetics business recorded a segment loss of HK$173,718,000 (2019: a loss of HK$52,884,000). During the year, the Group recognised impairment for property, plant and equipment and right-of-use assets of the loss-making cosmetics stores, and has made provision for onerous lease contracts totalling HK$49,516,000 (2019: HK$25,922,000). Excluding the effect of the said non-cash provisions, the cosmetics business would have recorded a loss of approximately HK$124,202,000 for this financial year (2019: a loss of HK$26,962,000).

Under this extremely difficult operating environment, the management has swiftly adopted a number of contingency measures, including proactively lowering inventory levels, stringently controlling costs and expenditures and negotiating with landlords with regard to significant rent concessions for most of our retail stores, in order to reduce costs and retain working capital. In addition, out of the total 78 cosmetics stores as at 31st March, 2020, 41 of which will have their lease terms expired by 31st March, 2021. In other words, the lease of more than half of our stores will expire in the coming year, which allows the Group to have more bargaining power during its negotiation with landlords upon expiry of leases, either by short-term extension of leases with larger rent reductions or by closing down certain loss-making retail stores with unsatisfactory rent reduction, which will improve the Group's liquidity position by reducing loss in the coming year.

Fashion Business

As at 31st March, 2020, the Group had 78 fashion stores (31st March, 2019: 84 stores) under the brand ***Veeko*** and ***Wanko*** across Hong Kong, Macau and the PRC, with 54 stores located in Hong Kong, 5 stores located in Macau and 19 stores located in the PRC. During the period under review, the revenue of the Group's fashion business was HK$206,357,000 (2019: HK$285,139,000), representing a decrease of 27.6% as compared with the same period last year. The Group has recorded a loss of HK$57,202,000 (2019: a loss of HK$29,797,000) for the fashion business segment. During the year, the Group had provided for the impairment of property, plant and equipment, right-of-use assets and onerous lease contracts of the loss-making fashion stores. Together with inventories and other provisions, the Group has made provision of HK$12,127,000 (2019: HK$9,959,000) in aggregate for the year ended 31st March, 2020. Excluding the effect of the said non-cash provisions, the fashion business would have recorded a loss of approximately HK$45,075,000 for the financial year (2019: a loss of HK$19,838,000).

Since the production resources of the Group's fashion business are concentrated in its self-owned production plant in the PRC, the Group is able to control the costs with flexibility. Amidst the tough operating environment, the Group has promptly reduced production and proactively lowered the inventory level in order to maintain the cash flow. Meanwhile, the Group has leased out certain floors of its self-owned plant consecutively in order to generate rental income. Due to the fact that the fashion business targets local consumers, which is different from the cosmetics business, it suffers less from the decline in visitors to Hong Kong and Macau due to the Epidemic and recovers faster as compared with the cosmetics business. In fact, the fashion sales in Hong Kong and Macau recorded a growth of over 70% in May 2020 as compared with that of April. On the other hand, out of the total 59 fashion stores in Hong Kong and Macau as at 31st March, 2020, 38 of which the lease term will expire by 31st March, 2021. Similarly, as more than 60% of the leases will expire in the coming year, the Group will have more bargaining power to strive for larger rent reductions and shorter lease terms when negotiating with the landlords upon expiration, or close down certain loss-making retail stores with unsatisfactory rent reduction, so as to improve its liquidity position by reducing loss in the coming year. In view of this, the Group began to transform some of its cosmetics stores into fashion stores starting from March 2020. With the result achieved by this strategy and the effort made to negotiate significant rent reduction for most of our retail stores with landlords, the Group is confident that the fashion business will be able to achieve loss reduction or even turnaround in the coming year.

PROSPECTS

Since the outbreak of the Epidemic in January 2020, the Group has witnessed a serious shortage of epidemic prevention supplies, particularly surgical masks, in the market. In view of this, the Group began to prepare for the setup of mask production lines in February by transforming part of its existing self-owned production plant into a high-grade dust-free contamination-free cleanroom facility, acquiring fully automatic mask production machines, purchasing raw materials and carrying out the required procedures. The mask production lines commenced trial operation in March and started to produce masks for sales in our retail stores beginning from April. Although the market demand for masks has been relieved to a certain extent, due to the fact that mask production requires limited resources and is highly automated, and self-produced masks can enrich the product mix of our stores, the Group intends to not only sell the masks in our stores, but also, together with our cosmetics products, expand to the overseas market by participating in trade fairs overseas in the future.

Looking ahead, the Hong Kong retail market is expected to continue to face a challenging external environment in year 2020/2021. Currently, the Group has sufficient cash on hand, together with available banking facilities, to meet its current business needs. Furthermore, the Group is principally engaged in cosmetics and fashion retail operations, but also holds investment properties and self-occupied properties at the same time. Based on the valuation conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer, the valuation of such properties amounted to approximately HK$700,553,000 in aggregate as at 31st March, 2020. These properties also serve as financial support for the Group. The Group has managed and will continue to manage its financial and cash position prudently, and is confident that it will be able to obtain additional banking facilities when necessary. Despite all the challenges ahead, the Group will continue to focus on its business and take a number of contingency measures, which include but are not limited to negotiating rent reduction with landlords, proactively lowering inventory levels, and stringently controlling costs and expenditures, in order to cope with the challenges ahead.

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$26,476,000 (31st March, 2019: HK$56,064,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK$420,059,000 (31st March, 2019: HK$265,590,000).

At the end of the reporting period, the current ratio was 0.72 (31st March, 2019: 1.61 times) and the gearing ratio of the Group was 1.19 (31st March, 2019: 0.42) which was calculated based on the Group's total borrowings of HK$420,059,000 (31st March, 2019: HK$266,207,000) and the total equity of HK$354,364,000 (31st March, 2019: HK$629,830,000).

At 31st March, 2020, the Group had banking facilities amounting to HK$515,014,000 (31st March, 2019: HK$429,240,000), of which HK$428,624,000 (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. Approximately 39% (2019: 34%) 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$439,360,000 (31st March, 2019: HK$329,104,000).

CONTINGENT LIABILITIES

At 31st March, 2020, the Company had provided guarantees of HK$729,582,000 (31st March, 2019: HK$644,923,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF & REMUNERATION POLICIES

At 31st March, 2020, the Group had approximately 1,300 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 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, 23rd September, 2020. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 18th September, 2020 to Wednesday, 23rd September, 2020 (both days inclusive) during which period no transfer of shares will be registered. In order to be qualify as members to attend and vote at the AGM, investors are urged to lodge all transfers of shares accompanied by the relevant share certificates and transfer forms with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 17th September, 2020.

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, 2020.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2020 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries, all of the directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31st March, 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results for the year ended 31st March, 2020. 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, 2020 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.

AUDIT OPINION

The Company's external auditor has issued an unmodified opinion with a Material Uncertainty Related to Going Concern section in the independent auditor's report on the audit of the consolidated financial statements of the Group for the year ended 31st March, 2020 as set out below:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$258,448,000 during the year ended 31st March, 2020 and, as of that date, the Group's current liabilities exceeded its current assets by HK$182,064,000. These conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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, 2020 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.

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

Hong Kong, 30th June, 2020

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.