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VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1173)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2021

ANNUAL RESULTS

The board of directors (the “**Directors**”) of Veeko International Holdings Limited (the “**Company**”) presented the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st March, 2021 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, 2021

		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	517,246	1,042,397
Cost of goods sold		(321,356)	(645,047)
Gross profit		195,890	397,350
Selling and distribution costs		(254,390)	(463,688)
Administrative expenses		(77,278)	(103,189)
Other income, gains and losses	4	59,784	15,643
Impairment loss under expected credit loss model		(1,466)	(3,995)

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Decrease in fair value of investment properties		(28,929)	(11,707)
Impairment of property, plant and equipment		(3,873)	(6,790)
Impairment of right-of-use assets		(53,619)	(53,717)
Finance costs		(15,438)	(25,585)
Loss before tax		(179,319)	(255,678)
Income tax expense	5	(5,563)	(2,770)
Loss for the year	6	(184,882)	(258,448)
Other comprehensive income (expense)			
for the year			
<i>Item that will not be reclassified subsequently</i>			
<i>to profit or loss</i>			
Gain on revaluation of properties, net of deferred tax		17,622	3,245
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss</i>			
Exchange differences arising on translation of foreign operations		9,253	(4,123)
Other comprehensive income (expense) for the year		26,875	(878)
Total comprehensive expense for the year		(158,007)	(259,326)
		HK cents	<i>HK cents</i>
Loss per share	8		
– basic		(7.342)	(10.264)
– diluted		(7.342)	(10.264)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current Assets			
Investment properties		338,349	306,113
Property, plant and equipment		95,889	144,432
Right-of-use assets		58,046	180,278
Rental deposits paid		16,991	29,504
Deferred tax assets		–	4,745
		<hr/> 509,275	<hr/> 665,072
Current Assets			
Inventories		195,156	356,014
Trade and other receivables	9	16,976	25,527
Rental and utility deposits paid		43,381	46,635
Tax recoverable		123	9,806
Bank balances, deposits and cash		47,114	26,476
		<hr/> 302,750	<hr/> 464,458
Current Liabilities			
Trade and other payables	10	52,736	61,415
Rental deposits received		124	700
Secured bank borrowings		389,494	420,059
Lease liabilities		114,939	158,974
Provision		1,209	4,481
Tax payable		270	893
		<hr/> 558,772	<hr/> 646,522
Net Current Liabilities		<hr/> (256,022)	<hr/> (182,064)
		<hr/> 253,253	<hr/> 483,008

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital and Reserves		
Share capital	25,180	25,180
Reserves	171,236	329,184
	<u>196,416</u>	<u>354,364</u>
Non-current Liabilities		
Other payables	2,542	–
Rental deposits received	1,194	577
Deferred tax liabilities	12,724	11,608
Lease liabilities	40,377	116,459
	<u>56,837</u>	<u>128,644</u>
	<u>253,253</u>	<u>483,008</u>

Notes:

1. BASIS OF PREPARATION

The 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\$184,882,000 during the year ended 31st March, 2021 and net current liabilities position of HK\$256,022,000 as at 31st March, 2021, 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 banking facilities of the Group.

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

The directors of the Company consider that after taking into account the cash and cash equivalents, existing banking facilities and cash flow to be generated from operations, that the Group will have sufficient funds 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

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by HKICPA for the first time, which are mandatory effective for the annual period beginning on or after 1st April, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and 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 consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. SEGMENT INFORMATION

For the year ended 31st March, 2021

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	351,570	–	351,570
Manufacture and sale of ladies fashion	–	165,676	165,676
Total	<u>351,570</u>	<u>165,676</u>	<u>517,246</u>
Timing of revenue recognition			
A point in time	<u>351,570</u>	<u>165,676</u>	<u>517,246</u>
Geographical markets			
Hong Kong and Macau	351,570	155,030	506,600
Other regions of the People’s Republic of China (“PRC”)	–	10,646	10,646
Total	<u>351,570</u>	<u>165,676</u>	<u>517,246</u>

For the year ended 31st March, 2020

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	836,040	–	836,040
Manufacture and sale of ladies fashion	–	206,357	206,357
	<u>836,040</u>	<u>206,357</u>	<u>1,042,397</u>
Total	<u>836,040</u>	<u>206,357</u>	<u>1,042,397</u>
Timing of revenue recognition			
A point in time	<u>836,040</u>	<u>206,357</u>	<u>1,042,397</u>
Geographical markets			
Hong Kong and Macau	833,652	193,198	1,026,850
Other regions of the PRC	<u>2,388</u>	<u>13,159</u>	<u>15,547</u>
Total	<u>836,040</u>	<u>206,357</u>	<u>1,042,397</u>

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

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

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

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

(a) *Operating segments*

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

The Group's reportable and operating segments under HKFRS 8 *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, 2021

	Cosmetics	Fashion	Segment total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE					
External sales	351,570	165,676	517,246	–	517,246
Inter-segment sales	–	28	28	(28)	–
	<u>351,570</u>	<u>165,704</u>	<u>517,274</u>	<u>(28)</u>	<u>517,246</u>
SEGMENT LOSS	<u>(104,898)</u>	<u>(34,318)</u>	<u>(139,216)</u>	–	(139,216)
Decrease in fair value of investment properties					(28,929)
Other income, gains and losses					5,666
Central administration costs					(7,093)
Finance costs					<u>(9,747)</u>
Loss before tax					<u>(179,319)</u>

For the year ended 31st March, 2020

	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	836,040	206,357	1,042,397	–	1,042,397
Inter-segment sales	–	187	187	(187)	–
	<u>836,040</u>	<u>206,544</u>	<u>1,042,584</u>	<u>(187)</u>	<u>1,042,397</u>
SEGMENT LOSS	<u>(173,718)</u>	<u>(57,202)</u>	<u>(230,920)</u>	–	(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					<u>(14,138)</u>
Loss before tax					<u>(255,678)</u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss before tax incurred by each segment without allocation of 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 chief operating decision makers 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong and Macau	506,600	1,026,850
Other regions of the PRC	<u>10,646</u>	<u>15,547</u>
	<u>517,246</u>	<u>1,042,397</u>

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

4. OTHER INCOME, GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Rental income from investment properties, with negligible outgoings	5,631	7,471
Bank interest income	31	59
Net exchange loss	(3,065)	(1,011)
Net gain (loss) on disposal of property, plant and equipment	85	(901)
Reversal of onerous contract provision	3,272	4,630
Interest income from rental deposit paid	1,436	1,917
Government grants (<i>Note</i>)	43,066	–
Gain on termination of leases	2,795	–
Others	<u>6,533</u>	<u>3,478</u>
	<u>59,784</u>	<u>15,643</u>

Note: During the current year, the Group recognised government grants of HK\$43,066,000 in respect of COVID-19-related subsidies, of which HK\$34,442,000 relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region. The remaining amounts were recognised in profit or loss upon receipt, and there was no unfulfilled conditions attached to these government grants.

5. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	911	1,005
(Over)underprovision in prior years	<u>(24)</u>	<u>423</u>
	<u>887</u>	<u>1,428</u>
Income tax in other jurisdictions		
Current year	35	1,384
Overprovision in prior years	<u>(38)</u>	<u>(77)</u>
	<u>(3)</u>	<u>1,307</u>
Deferred tax	<u>4,679</u>	<u>35</u>
	<u>5,563</u>	<u>2,770</u>

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 of the qualifying group entity 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.

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 YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	128,529	189,151
Share-based payments	59	51
Retirement benefits schemes contributions	6,107	9,786
	<u>134,695</u>	<u>198,988</u>
Auditors' remuneration		
– audit services	2,513	2,044
– non-audit services	365	384
Cost of inventories recognised as expenses (<i>Note</i>)	321,356	645,047
Depreciation of property, plant and equipment	13,138	23,542
Depreciation of right-of-use assets	100,941	189,598
	<u>100,941</u>	<u>189,598</u>

Note: Cost of inventories recognised as expenses included scrap, shrinkage and provision for slow moving inventories of HK\$14,839,000 (2020: HK\$10,371,000).

7. DIVIDENDS

Dividends recognised as distribution during the year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2020 final dividend of nil (2020: 2019 final dividend of HK0.1 cent) per share	<u>–</u>	<u>2,518</u>

The board of directors has decided not to declare a final dividend for the years ended 31st March, 2021 and 2020.

8. 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\$184,882,000 (2020: HK\$258,448,000) and on the weighted average number of ordinary shares of the Company set out below.

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,518,001,334</u>	<u>2,518,001,334</u>

The computation of diluted loss per share for the years ended 31st March, 2021 and 2020 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	10,867	14,095
Less: allowance for expected credit losses	<u>(5,461)</u>	<u>(3,995)</u>
	5,406	10,100
Other receivables (<i>Note</i>)	6,269	5,352
Prepayment	<u>5,301</u>	<u>10,075</u>
	<u>16,976</u>	<u>25,527</u>

Note: The amount included rental prepayment and rental deposit paid to a related company of HK\$400,000 (2020: HK\$718,000), 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	3,223	3,150
31 – 60 days	85	973
61 – 90 days	727	3,001
91 – 120 days	347	204
Over 120 days	<u>1,024</u>	<u>2,772</u>
	<u>5,406</u>	<u>10,100</u>

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

10. TRADE AND OTHER PAYABLES

At 31st March, 2021, included in the Group's trade and other payables were trade payables of HK\$7,866,000 (2020: HK\$20,257,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	2,421	8,454
31 – 60 days	2,682	6,800
61 – 90 days	632	3,178
Over 90 days	2,131	1,825
	<hr/> 7,866 <hr/>	<hr/> 20,257 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31st March, 2021, the Group recorded revenue of HK\$517,246,000 (2020: HK\$1,042,397,000), representing a decrease of 50.4% as compared with the same period last year. Included in the amount of revenue, HK\$351,570,000 (2020: HK\$836,040,000) was derived from the cosmetics business, representing a decrease of 57.9% over the same period last year and 68.0% of the Group's total revenue (2020: 80.2%). The revenue of the fashion business amounted to HK\$165,676,000 (2020: HK\$206,357,000), representing a decrease of 19.7% as compared with the same period last year.

During the year, the global outbreak of the epidemic of the novel coronavirus (the “**Pandemic**”) continued to affect the operations of retail stores, with the number of visitors to Hong Kong dropping significantly due to the immigration control and quarantine measures imposed by governments around the world. Local sales were also weak due to social distancing measures, which led to decreases in the turnover of both the cosmetics and fashion business segments of the Group. During the year, the Group recorded a loss of HK\$184,882,000 (2020: loss of HK\$258,448,000), representing a decrease of 28.5% as compared with the same period last year.

During the year, the cosmetics business recorded a segment loss of HK\$104,898,000 (2020: a loss of HK\$173,718,000), and the fashion business recorded a segment loss of HK\$34,318,000 (2020: a loss of HK\$57,202,000). During the year, the Group recognised impairment for property, plant and equipment and right-of-use assets and has made provision for onerous lease contracts of relevant loss-making stores together with provisions for inventories and others. During the year ended 31st March, 2021, the said provisions amounted to approximately HK\$61,798,000 (2020: HK\$61,643,000) in aggregate. In addition, the loss for the year included a decrease in fair value of investment properties of HK\$28,929,000 (2020: a decrease in fair value of HK\$11,707,000). Excluding the effect of the said non-cash impairment and provisions, the Group would record a loss of approximately HK\$94,155,000 in the financial year (2020: a loss of HK\$185,098,000), representing a decrease of 49.1% in losses as compared with the same period last year. During the year, the Group recognised HK\$43,066,000 in the statement of profit or loss in respect of government anti-epidemic allowances and subsidies.

Cosmetics Business

As at 31st March, 2021, the Group had 69 *Colourmix* and *MORIMOR* cosmetics stores (31st March, 2020: 78 stores) in total, of which 63 stores were located in Hong Kong and 6 stores were located in Macau. Since the outbreak of the Pandemic 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 and the Group has suspended the operation of certain cosmetics stores located at the border gateways. During the year, the turnover of the Group's cosmetics business amounted to HK\$351,570,000 (2020: HK\$836,040,000), representing a decrease of 57.9% as compared with the same period last year. The cosmetics business recorded a segment loss of HK\$104,898,000 (2020: a loss of HK\$173,718,000). 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 and inventories totalling HK\$47,166,000 (2020: HK\$49,516,000). Excluding the effect of the said non-cash impairment and provisions, the cosmetics business would have recorded a loss of approximately HK\$57,732,000 for this financial year (2020: a loss of HK\$124,202,000), representing a decrease of 53.5% as compared with the same period last year.

Fashion Business

As at 31st March, 2021, the Group had a total of 83 fashion stores (31st March, 2020: 78 stores) under the brands *Veeko* and *Wanko* across Hong Kong, Macau and the PRC, with 63 stores located in Hong Kong, 5 stores located in Macau and 15 stores located in the PRC. During the year, the turnover of the Group's fashion business was HK\$165,676,000 (2020: HK\$206,357,000), representing a decrease of 19.7% as compared with the same period last year. The Group has recorded a segment loss of HK\$34,318,000 (2020: a loss of HK\$57,202,000) for the fashion business segment. During the year, the Group recognised the impairment for property, plant and equipment and right-of-use assets and has made provision for onerous lease contracts of the loss-making fashion stores. Together with inventories and other provisions, the Group has made provision of HK\$14,632,000 (2020: HK\$12,127,000) in aggregate for the year ended 31st March, 2021. Excluding the effect of the said non-cash impairment and provisions, the fashion business would have recorded a loss of approximately HK\$19,686,000 for the financial year (2020: a loss of HK\$45,075,000), representing a decrease of 56.3% as compared with the same period last year.

PROSPECTS

The outbreak of the epidemic in early 2020 has since developed into a massive transnational pandemic that has brought challenges to different industries and the society as a whole. The Group has assessed the overall impact of the situation on its business and has taken feasible and effective anti-epidemic measures to safeguard the employees and customers. In the face of an exceptionally difficult operating environment, the management has immediately taken a number of contingency measures to reduce costs in order to preserve working capital, including proactively lowering inventory levels, stringently controlling costs and expenditures, as well as negotiating with landlords for rent concessions for most retail stores. In addition, among a total of 137 retail stores in Hong Kong and Macau as of 31st March, 2021, the leases of over 70% of the stores will expire within the financial year 2021/2022. The Group will have more bargaining power to renegotiate with the landlords in relation to the leases when they expire during the year. The Group will thus be able to renew its leases on a short-term basis with a greater reduction in rent, or close down certain loss-making retail stores where the reduction in rent are not satisfactory. This will help to strengthen the Group's liquidity position.

As the production resources of the Group's fashion business are concentrated in self-owned plant in China, we are able to control costs with flexibility. In face of the tough operating environment, the Group has immediately arranged for a reduction in production, proactively lowered inventory levels and maintained cash flows, and at the same time leased out some of the floors to earn rental income. Unlike the cosmetics business, the customers of the fashion business are primarily local consumers, hence, our fashion business was less affected by the drop in the number of visitors caused by the Pandemic than the cosmetics business, and it also recovered more quickly. In fact, the sales of the fashion business dropped less during the year, so its loss amount was also less than that of the cosmetics business. In April and May, 2021, the same-store sales of fashion business in Hong Kong and Macau recorded an increase of approximately 15% as compared with the same period last year, while the sales in China recorded an increase of more than 55%. In respect of the cosmetics business, the same-store sales in Hong Kong and Macau in April and May, 2021 also recorded an increase of approximately 65% as compared with the same period last year.

Looking ahead, despite the recent acceleration in the approval of use of vaccines in countries, the repeated outbreaks and the mutated virus strains have created uncertainties. As the Pandemic has not yet stabilized, the retail market is projected to remain dominated by local consumption in year 2021/2022, and the number of visitors to Hong Kong is unlikely to recover in the short term. During the Pandemic, consumption patterns have also shifted from offline to online. Since consumers spend more time using online shopping platforms, the role of e-commerce has become increasingly important. Therefore, in addition to physical retail stores, the Group will continue to collaborate with well-known e-commerce platforms in the future, such as Tmall Global, Kaola, JD, WeChat Mini Program, etc., and focus on both online and offline businesses to drive the growth of the cosmetics and fashion businesses, enhance brand awareness, expand customer base and increase turnover. Apart from leasing out some of the floors in its self-owned plant as referred to above, the Group also leased out some of its self-owned properties located in Hong Kong to further increase source of rental income. Currently, the Group has sufficient cash on hand, together with available banking facilities, to meet its 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 Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers, the valuation of such properties amounted to approximately HK\$677,474,000 in aggregate as at 31st March, 2021. These properties also serve as financial support for the Group. The Group will continue to manage its financial and cash position prudently. 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, and hope to reach breakeven as soon as possible.

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\$47,114,000 (31st March, 2020: HK\$26,476,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$389,494,000 (31st March, 2020: HK\$420,059,000).

At the end of the reporting period, the current ratio was 0.54 (31st March, 2020: 0.72) and the gearing ratio of the Group was 1.98 (31st March, 2020: 1.19) which was calculated based on the Group's total borrowings of HK\$389,494,000 (31st March, 2020: HK\$420,059,000) and the total equity of HK\$196,416,000 (31st March, 2020: HK\$354,364,000).

At 31st March, 2021, the Group had banking facilities amounting to HK\$479,571,000 (31st March, 2020: HK\$515,014,000), of which HK\$395,166,000 (31st March, 2020: HK\$428,624,000) was utilised by the Group.

For the details of the cashflow management of the Group, please refer to the "Prospects" of the "Management Discussion and Analysis" section of this announcement.

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 57% (2020: 39%) 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\$429,439,000 (31st March, 2020: HK\$439,360,000).

CONTINGENT LIABILITIES

At 31st March, 2021, the Group had provided guarantees of HK\$737,388,000 (31st March, 2020: HK\$729,582,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF & REMUNERATION POLICIES

At 31st March, 2021, the Group had approximately 1,100 employees (31st March, 2020: approximately 1,300). 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 ("AGM") of the Company is scheduled to be held on Wednesday, 29th September, 2021. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 24th September, 2021 to Wednesday, 29th September, 2021 (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 transfer documents accompanied by the relevant share certificates 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, 23rd September, 2021.

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, 2021.

Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report of the Company's 2021 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, 2021.

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises all the three independent non-executive directors. The Audit Committee has reviewed the financial results for the year ended 31st March, 2021.

Due to the auditors need more time to complete their audit procedures, therefore, the annual results may be adjusted to meet the needs of the completion of the audit. An announcement relating to the audited annual results of the Group for the year ended 31st March, 2021 will be published when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

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.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31st March, 2021 as agreed by the Company’s auditor and the material differences (if any) as compared with the unaudited annual results contained herein.

In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The annual report of the Company for the year ended 31st March, 2021 will be despatched to the shareholders of the Company and available on the above websites not later than 31st July, 2021.

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, 29th June, 2021

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.