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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, 2022**

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, 2022 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, 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	499,849	517,246
Cost of goods sold		(303,633)	(321,356)
Gross profit		196,216	195,890
Other income and gains, net	4	27,074	59,784
Selling and distribution costs		(190,285)	(254,390)
Administrative expenses		(78,077)	(77,278)
Changes in fair value of investment properties		6,096	(28,929)
Reversal/(provision) of expected credit loss for trade receivables		2,000	(1,466)

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Impairment of property, plant and equipment		(308)	(3,873)
Impairment of right-of-use assets		(4,465)	(53,619)
Finance costs		<u>(10,682)</u>	<u>(15,438)</u>
Loss before tax	6	(52,431)	(179,319)
Income tax expense	5	<u>(935)</u>	<u>(5,563)</u>
Loss for the year		<u>(53,366)</u>	<u>(184,882)</u>
Other comprehensive income for the year			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of properties, net of deferred tax		<u>51,562</u>	<u>17,622</u>
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>4,644</u>	<u>9,253</u>
Other comprehensive income for the year		<u>56,206</u>	<u>26,875</u>
Total comprehensive income/(loss) for the year		<u>2,840</u>	<u>(158,007)</u>
Loss per share attributable to ordinary equity holders of the parent	8		
– Basic (in HK cents)		<u>(2.119)</u>	<u>(7.342)</u>
– Diluted (in HK cents)		<u>(2.119)</u>	<u>(7.342)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
Non-current Assets			
Investment properties		447,692	338,349
Property, plant and equipment		43,501	95,889
Right-of-use assets		70,426	58,046
Rental deposits paid		7,949	16,991
		<u>569,568</u>	<u>509,275</u>
Total Non-current Assets			
Current Assets			
Inventories		124,945	195,156
Trade receivables	10	2,475	5,406
Prepayments and other receivables	9	9,682	11,570
Rental and utility deposits paid		42,395	43,381
Tax recoverable		126	123
Cash and cash equivalents		10,259	47,114
		<u>189,882</u>	<u>302,750</u>
Total Current Assets			
Current Liabilities			
Trade payables	11	9,511	7,866
Other payables and accruals	12	51,361	44,870
Rental deposits received		521	124
Interest-bearing bank borrowings		375,505	389,494
Lease liabilities		72,819	114,939
Provision		593	1,209
Tax payable		301	270
		<u>510,611</u>	<u>558,772</u>
Total Current Liabilities			
Net Current Liabilities			
		<u>(320,729)</u>	<u>(256,022)</u>
Total Assets Less Current Liabilities			
		<u>248,839</u>	<u>253,253</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current Liabilities			
Other payables	<i>12</i>	2,388	2,542
Rental deposits received		1,972	1,194
Deferred tax liabilities		15,810	12,724
Lease liabilities		29,258	40,377
		<hr/>	<hr/>
Total Non-current Liabilities		49,428	56,837
		<hr/>	<hr/>
Net Assets		199,411	196,416
		<hr/>	<hr/>
Equity			
Share capital		25,180	25,180
Reserves		174,231	171,236
		<hr/>	<hr/>
Total Equity		199,411	196,416
		<hr/>	<hr/>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31st March, 2022, the Group incurred a net loss of HK\$53,366,000 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$320,729,000.

In view of the above circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The directors of the Company have reviewed the Group’s cashflow projection prepared by management, which includes revenue and expenditure growth of the business, working capital needs and, the continuing renewal of the banking facilities. They are of the opinion that, after taking into account the measures implemented or being implemented, the Group will have sufficient working capital to finance its operation and to meet its financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the directors of the Company believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31st March, 2022 on a going concern basis.

As at 31st March, 2022, the Group had unutilised banking facilities of HK\$56,683,000. The measures that the Group has implemented or is in the process of implementing include (i) negotiation for external financing, including but not limited to, obtaining further banking facilities or renegotiating to defer the repayment dates of existing banking facilities; and (ii) consideration of potential downside risk factors, working capital sensitivities and identified mitigating actions that could be taken to further reduce cash expenditure.

Whether the Group will be able to generate adequate cash flows to continue as a going concern would depend on the successful outcome of the above measures.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39 and
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30th
June, 2021*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness.

The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) respectively, as at 31st March, 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has assessed all COVID-19 related rent concessions given by lessors. All necessary lease modifications have been made and the Group did not apply the practical expedient provided in the amendment.

3. SEGMENT INFORMATION

For the year ended 31st March, 2022

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	342,099	–	342,099
Manufacture and sale of ladies fashion	–	157,750	157,750
Total	<u>342,099</u>	<u>157,750</u>	<u>499,849</u>
Timing of revenue recognition			
At point in time	<u>342,099</u>	<u>157,750</u>	<u>499,849</u>
Geographical markets			
Hong Kong and Macau	342,099	151,282	493,381
Other regions of the People's Republic of China ("PRC")	–	6,468	6,468
Total	<u>342,099</u>	<u>157,750</u>	<u>499,849</u>

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
	<hr/>	<hr/>	<hr/>
Total	351,570	165,676	517,246
	<hr/>	<hr/>	<hr/>
Timing of revenue recognition			
At point in time	351,570	165,676	517,246
	<hr/>	<hr/>	<hr/>
Geographical markets			
Hong Kong and Macau	351,570	155,030	506,600
Other regions of the PRC	–	10,646	10,646
	<hr/>	<hr/>	<hr/>
Total	351,570	165,676	517,246
	<hr/>	<hr/>	<hr/>

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. For sales of ladies fashion to retail customers through sales counters in department stores, the normal credit terms is 30 to 60 days upon 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.

Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The information reported to the CODM is further categorised into different retail stores within Hong Kong and Macau, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment. The Group has presented the following two reportable segments:

- (a) the cosmetics segment engages in the sales of cosmetics; and
- (b) the fashion segment engages in manufacture and sale of ladies’ fashion

The accounting policies of the operating segments are the same as the Group’s accounting policies.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss before tax except the change in fair value of investment properties, certain other income and gains, net, central administration costs and finance costs.

No analysis of segment assets and liabilities is presented as the CODM do not review such information for the purposes of resource allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

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, 2022

	Cosmetics	Fashion	Segment Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE					
External sales	342,099	157,750	499,849	-	499,849
Inter-segment sales	-	7	7	(7)	-
	<u>342,099</u>	<u>157,757</u>	<u>499,856</u>	<u>(7)</u>	<u>499,849</u>
SEGMENT LOSS	<u>(25,554)</u>	<u>(26,041)</u>	<u>(51,595)</u>	-	(51,595)
Increase in fair value of investment properties					6,096
Other income and gains, net					6,888
Central administration costs					(6,044)
Finance costs					<u>(7,776)</u>
Loss before tax					<u>(52,431)</u>

For the year ended 31st March, 2021

	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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 and gains, net					5,666
Central administration costs					(7,093)
Finance costs					<u>(9,747)</u>
Loss before tax					<u>(179,319)</u>

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong and Macau	493,381	506,600
Other regions of the PRC	<u>6,468</u>	<u>10,646</u>
	<u>499,849</u>	<u>517,246</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 AND GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Bank interest income	29	31
Interest income from rental deposits paid	884	1,436
Rental income from investment properties, with negligible outgoings	6,773	5,631
Government grants (<i>Note</i>)	1,365	43,066
	<u>9,051</u>	<u>50,164</u>
Gains, net		
Gain on disposal of items of property, plant and equipment	29	85
Foreign exchange differences, net	(2,399)	(3,065)
Reversal of onerous contract provision	616	3,272
Gains on modification of leases	17,322	5,203
Gains on termination of leases	707	2,795
Others	1,748	1,330
	<u>18,023</u>	<u>9,620</u>
	<u>27,074</u>	<u>59,784</u>

Note: During the year ended 31st March, 2022, the Group recognised government grants of HK\$1,200,000 (2021: HK\$43,066,000) in respect of received COVID-19-related subsidies, of which nil (2021: HK\$34,442,000) relates to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region. The remaining amounts of HK\$165,000 (2021: nil) were recognised in profit or loss upon receipt, and there were no unfulfilled conditions attached to these government grants.

5. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	748	911
Overprovision in prior years	–	(24)
	<u>748</u>	<u>887</u>
Current – other jurisdictions		
Charge for the year	32	35
Under/(over)provision in prior years	179	(38)
	<u>211</u>	<u>(3)</u>
Deferred tax	<u>(24)</u>	<u>4,679</u>
	<u>935</u>	<u>5,563</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

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. In addition, for the years ended 31st March, 2022 and 2021, a special complementary tax incentive was provided to the effect that the tax-free income threshold was Macau Pataca (“MOP”) 600,000 (equivalent to HK\$582,000) with profit above MOP600,000 (equivalent to HK\$582,000) being taxed at a fixed rate of 12%.

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 PRC subsidiaries is 25%.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	303,633	321,356
Depreciation of property, plant and equipment	8,182	13,138
Depreciation of right-of-use assets	65,188	100,941
Lease payments not included in the measurement of lease liabilities	11,264	25,513
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	123,291	128,529
Share-based payments	155	59
Retirement benefits schemes contributions**	7,574	6,107
	<u>131,020</u>	<u>134,695</u>
Foreign exchange difference, net	2,399	3,065
(Reversal)/provision of impairment loss on trade receivables under expected credit loss model	(2,000)	1,466
Impairment of property, plant and equipment	308	3,873
Impairment of right-of-use assets	4,465	53,619
Provision for inventories*	7,015	6,112
Write-off of inventories	9,094	8,727
Onerous contracts provision		
Reversals of unutilised provision	(616)	(3,272)
Changes in fair value of investment properties	(6,096)	28,929
Gains on disposal of items of property, plant and equipment	<u>(29)</u>	<u>(85)</u>

* Scrap, shrinkage and provision for slow moving inventories for the year are included in "costs of inventories sold" in the consolidated statement of profit or loss and other comprehensive income.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. DIVIDENDS

The directors did not recommend payment of any final dividend for the year ended 31st March, 2022 (2021: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year of HK\$53,366,000 (2021: HK\$184,882,000) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,518,001,334 (2021: 2,518,001,334) in issue during the year.

The computation of diluted loss per share for the years ended 31st March, 2022 and 2021 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. PREPAYMENTS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayment	6,093	5,301
Other receivables	3,589	6,269
	<u>9,682</u>	<u>11,570</u>

10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	6,484	10,867
Impairment losses, net	(4,009)	(5,461)
	<u>2,475</u>	<u>5,406</u>

The Group allows 30 to 60 days credit period for receivables from department stores in which sales counters are located 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	2,341	3,223
31 – 60 days	58	85
61 – 90 days	59	727
91 – 120 days	17	347
Over 120 days	–	1,024
	<u>2,475</u>	<u>5,406</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.

11. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	5,089	2,421
31 – 60 days	2,200	2,682
61 – 90 days	831	632
Over 90 days	1,391	2,131
	<u>9,511</u>	<u>7,866</u>

Trade payables are non-interest-bearing and are normally settled on a credit term of 30 to 60 days.

12. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accrued expenses	23,760	23,086
Other payables	18,121	12,028
Provision of reinstatement costs	10,855	11,028
Contract liabilities	762	827
Other taxes payables	251	443
	<u>53,749</u>	<u>47,412</u>
Less: non-current portion		
– Provision for reinstatement cost	<u>(2,388)</u>	<u>(2,542)</u>
Current portion	<u>51,361</u>	<u>44,870</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at 31st March, 2022, the Group recorded revenue of HK\$499,849,000 (2021: HK\$517,246,000), representing a slightly decrease of 3.4% as compared with the same period last year. Included in the amount of revenue, HK\$342,099,000 (2021: HK\$351,570,000) was derived from the cosmetics business, representing a slightly decrease of 2.7% over the same period last year and 68.4% of the Group's total revenue (2021: 68.0%). The revenue of the fashion business amounted to HK\$157,750,000 (2021: HK\$165,676,000), representing a slightly decrease of 4.8% 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. The 5th wave of Pandemic affected the sales in the last quarter, which led to decrease in the turnover of both the cosmetics and fashion business segments of the Group, especially the fashion business. During the year, the Group recorded a loss of HK\$53,366,000 (2021: loss of HK\$184,882,000), representing a decrease of 71.1% in loss as compared with the same period last year.

During the year, the cosmetics business recorded a segment loss of HK\$25,554,000 (2021: a loss of HK\$104,898,000), and the fashion business recorded a segment loss of HK\$26,041,000 (2021: a loss of HK\$34,318,000). During the year ended 31st March, 2022, 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. The said provisions amounted to approximately HK\$9,172,000 (2021: HK\$61,798,000) in aggregate. In addition, the loss for the year included an increase in fair value of investment properties of HK\$6,096,000 (2021: a decrease in fair value of HK\$28,929,000). Excluding the effect of the said non-cash impairment, provisions and changes in the fair value of investment properties, the Group would record a loss of approximately HK\$50,290,000 in the financial year (2021: a loss of HK\$94,155,000), representing a decrease of 46.6% in loss as compared with the same period last year. The loss recorded by the Group for last year included approximately HK\$43,066,000 received from governments in respect of government anti-epidemic allowance and subsidies while the Group received approximately HK\$1,365,000 of such allowances or subsidies during the year.

Cosmetics Business

As at 31st March, 2022, the Group had 58 *Colourmix* and *MORIMOR* cosmetics stores (31st March, 2021: 69 stores) in total, of which 52 stores were located in Hong Kong and 6 stores were located in Macau. During the year, the cosmetics business of the Group was mainly supported by local consumption. The operations of certain cosmetics stores at the border gateways were still suspended. During the year, the turnover of the Group's cosmetics business amounted to HK\$342,099,000 (2021: HK\$351,570,000), representing a slightly decrease of 2.7% as compared with the same period last year. The cosmetics business recorded a segment loss of HK\$25,554,000 (2021: a loss of HK\$104,898,000). 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\$5,536,000 (2021: HK\$47,166,000). Excluding the effect of the said non-cash impairment and provisions, the cosmetics business would have recorded a loss of approximately HK\$20,018,000 for this financial year (2021: a loss of HK\$57,732,000), representing a decrease of 65.3% in loss as compared with the same period last year.

Fashion Business

As at 31st March, 2022, the Group had a total of 82 ladies fashion stores (31st March, 2021: 83 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 14 stores located in the PRC. During the year, the turnover of the Group's fashion business was HK\$157,750,000 (2021: HK\$165,676,000), representing a decrease of 4.8% as compared with the same period last year. The Group has recorded a segment loss of HK\$26,041,000 (2021: a loss of HK\$34,318,000) 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 approximately HK\$3,636,000 (2021: HK\$14,632,000) in aggregate for the year ended 31st March, 2022. Excluding the effect of the said non-cash impairment and provisions, the fashion business would have recorded a loss of approximately HK\$22,405,000 for the financial year (2021: a loss of HK\$19,686,000), representing an increase of 13.8% in loss 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 face of an exceptionally difficult operating environment, the management has taken a number of measures to reduce costs in order to preserve working capital, including lowering inventory levels, stringently controlling costs and expenditures, negotiating with landlords for rent concessions, as well as closing down certain underperforming retail stores.

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 arranged for a further reduction in production and leased out some of the floors to earn rental income.

The 5th wave Pandemic affected especially our fashion business during the last quarter of the financial year, due to the tightened social distancing measures enforced in Hong Kong. The gradual relaxation of social distancing measures, together with the Consumption Voucher Scheme and the Employment Support Scheme launched by the Hong Kong SAR Government, helped to facilitate the retail market recovery. In April and May 2022, the same-store sales of fashion business in Hong Kong recorded an increase of over 130% as compared with February and March 2022. Together with the subsidies from government and the measures of pre-approved principal payment holiday from various banks, the Group's bank balance and cash position as at 31st May, 2022 has been improved over 50% as compared to amount as at 31st March, 2022.

Looking ahead, given the Pandemic continues, it is expected that that retail market will continue to be dominated by local consumption in financial year 2022/2023, and the number of visitors to Hong Kong is unlikely to recover in the short term. In addition to physical retail stores, the Group will continue to collaborate with well-known e-commerce platforms, such as Tmall Global, JD.com, WeChat Mini Program, etc. The Group will focus on both online and offline businesses to drive the growth of the cosmetics and fashion businesses, enhance brand awareness, expand customer base.

Apart from leasing out some of the floors in its self-owned plant in China mentioned above, the Group also leased out some of its properties located in Hong Kong to further increase source of rental income. 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\$717,565,000 in aggregate as at 31st March, 2022. 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 continuing to negotiating rent reduction with landlords, controlling inventory levels, and stringently controlling costs and expenditures, with an aim 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\$10,259,000 (31st March, 2021: HK\$47,114,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$375,505,000 (31st March, 2021: HK\$389,494,000).

At the end of the reporting period, the current ratio was 0.37 (31st March, 2021: 0.54) and the gearing ratio of the Group was 1.88 (31st March, 2021: 1.98) which was calculated based on the Group's total borrowings of HK\$375,505,000 (31st March, 2021: HK\$389,494,000) and the total equity of HK\$199,411,000 (31st March, 2021: HK\$196,416,000).

At 31st March, 2022, the Group had banking facilities amounting to HK\$443,038,000 (31st March, 2021: HK\$479,571,000), of which HK\$386,355,000 (31st March, 2021: HK\$395,166,000) 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 45% (2021: 57%) 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\$489,384,000 (31st March, 2021: HK\$429,439,000).

CONTINGENT LIABILITIES

At 31st March, 2022, the Group had provided guarantees of HK\$740,915,000 (31st March, 2021: HK\$737,388,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF & REMUNERATION POLICIES

At 31st March, 2022, the Group had approximately 950 employees (31st March, 2021: approximately 1,100). 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 Thursday, 29th September, 2022. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 26th September, 2022 to Thursday, 29th September, 2022 (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 (if the transfer will be lodged before 15th August, 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15th August, 2022) for registration no later than 4:30 p.m. on Friday, 23rd September, 2022.

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 December 2021, The Stock Exchange of Hong Kong Limited has announced amendments to the Corporate Governance Code (“**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The new requirements under the CG Code will apply to corporate governance reports of listed issuers for financial year commencing on or after 1st January, 2022. Throughout the year ended 31st March, 2022, the Company has applied the principles and code provisions as set out in the CG Code applicable for the financial year under review (the “**then CG Code**”) and has adopted it as the code for the Company’s corporate governance practices.

In the opinion of the Board, the Company has complied with all the code provisions set out in the then CG Code throughout the year ended 31st March, 2022.

Detailed information on the Company’s corporate governance practices is set out in the Corporate Governance Report of the Company’s 2022 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, 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results for the year ended 31st March, 2022. The Audit Committee comprises all the three independent non-executive directors.

SCOPE OF WORK OF ERNST & YOUNG ON THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the annual results announcement of the Group’s results for the year ended 31st March, 2022 have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young 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 HKICPA and consequently no assurance has been expressed by Ernst & Young on the annual results announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the Independent Auditor’s Report from the auditor of the Company, Ernst & Young:

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, 2022, 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 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$53,366,000 during the year ended 31st March, 2022 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$320,729,000. As stated in note 2.1 to the consolidated financial statements, this event or condition, along with other matters as set forth in note 2.1 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, 2022 will be despatched to the shareholders of the Company and available on the above websites not later than 31st July, 2022.

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, 2022

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.