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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2022**

UNAUDITED INTERIM RESULTS

The Board of Directors (the “**Board**”) of Veeko International Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30th September, 2022. The results, together with the comparative figures for the corresponding period in 2021, are summarised below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2022

		Six months ended	
		30th September,	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	217,866	264,468
Cost of goods sold		(113,468)	(158,100)
Gross profit		104,398	106,368
Other income and gains, net		31,037	10,340
Selling and distribution costs		(91,294)	(98,410)
Administrative expenses		(36,067)	(38,648)
Change in fair value of investment properties		(1,072)	5,665
Impairment of right-of-use assets		(1,339)	(1,525)
Finance costs		(6,302)	(5,477)

		Six months ended	
		30th September,	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Loss before tax		(639)	(21,687)
Income tax expense	4	(479)	(633)
Loss for the period	5	(1,118)	(22,320)
Other comprehensive (loss)/income for the period			
<i>Item that will not be reclassified subsequently</i>			
<i>to profit or loss</i>			
Gain on revaluation of properties, net of deferred tax		5,843	6,182
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(12,712)	1,578
Other comprehensive (loss)/income for the period		(6,869)	7,760
Total comprehensive loss for the period		(7,987)	(14,560)
Loss per share attributable to ordinary equity holders of the parent	7		
Basic and diluted		HK(0.044) cent	HK(0.886) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2022

	30th September, 2022 (Unaudited) <i>Notes</i> HK\$'000	31st March, 2022 (Audited) HK\$'000
Non-current Assets		
Investment properties	449,812	447,692
Property, plant and equipment	37,791	43,501
Right-of-use assets	78,783	70,426
Rental deposits paid	8,192	7,949
Total Non-current Assets	574,578	569,568
Current Assets		
Inventories	108,854	124,945
Trade receivables	8 3,720	2,475
Prepayments and other receivables	7,566	9,682
Rental and utility deposits paid	35,486	42,395
Tax recoverable	14	126
Cash and cash equivalents	9,745	10,259
Total Current Assets	165,385	189,882
Current Liabilities		
Trade payables	9 7,271	9,511
Other payables and accruals	42,288	51,361
Rental deposits received	1,403	521
Interest-bearing bank borrowings	360,991	375,505
Lease liabilities	69,659	72,819
Provision	654	593
Tax payable	284	301
Total Current Liabilities	482,550	510,611
Net Current Liabilities	(317,165)	(320,729)
Total Assets Less Current Liabilities	257,413	248,839

		30th September, 2022	31st March, 2022
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Non-current Liabilities			
Other payables	10	22,395	2,388
Rental deposits received		1,329	1,972
Deferred tax liabilities		16,634	15,810
Lease liabilities		25,544	29,258
		<hr/>	<hr/>
Total Non-current Liabilities		65,902	49,428
		<hr/>	<hr/>
Net Assets		191,511	199,411
		<hr/>	<hr/>
Equity			
Share capital		25,180	25,180
Reserves		166,331	174,231
		<hr/>	<hr/>
Total Equity		191,511	199,411
		<hr/>	<hr/>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), as well as the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Listing Rules**”). The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

The condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31st March, 2022.

During the period ended 30th September, 2022, the Company and its subsidiaries (the “**Group**”) incurred a net loss of HK\$1,118,000 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$317,165,000.

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 cash flow 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 condensed consolidated financial statements. Accordingly, the directors of the Company believe it is appropriate to prepare the condensed consolidated financial statements of the Group for the period ended 30th September, 2022 on a going concern basis.

As at 30th September, 2022, the Group had unutilised banking facilities of HK\$58,650,000. 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 condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the six months ended 30th September, 2022 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31st March, 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

For the six months ended 30th September, 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	141,623	–	141,623
Manufacture and sale of ladies fashion	–	76,243	76,243
Total	<u>141,623</u>	<u>76,243</u>	<u>217,866</u>
Timing of revenue recognition			
At point in time	<u>141,623</u>	<u>76,243</u>	<u>217,866</u>
Geographical markets			
Hong Kong and Macau	141,623	72,484	214,107
Other regions of the People's Republic of China (the "PRC")	–	3,759	3,759
Total	<u>141,623</u>	<u>76,243</u>	<u>217,866</u>

For the six months ended 30th September, 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	184,562	–	184,562
Manufacture and sale of ladies fashion	–	79,906	79,906
	<hr/>	<hr/>	<hr/>
Total	184,562	79,906	264,468
	<hr/>	<hr/>	<hr/>
Timing of revenue recognition			
At point in time	184,562	79,906	264,468
	<hr/>	<hr/>	<hr/>
Geographical markets			
Hong Kong and Macau	184,562	75,919	260,481
Other regions of the PRC	–	3,987	3,987
	<hr/>	<hr/>	<hr/>
Total	184,562	79,906	264,468
	<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 term 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.

Operating Segments

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 shops 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

Unaudited six months ended 30th September, 2022

	Segment				
	Cosmetics	Fashion	Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE					
External sales	141,623	76,243	217,866	–	217,866
Inter-segment sales	–	6	6	(6)	–
	<u>141,623</u>	<u>76,249</u>	<u>217,872</u>	<u>(6)</u>	<u>217,866</u>
SEGMENT PROFIT/(LOSS)	<u>(2,490)</u>	<u>6,078</u>	<u>3,588</u>	–	3,588
Decrease in fair value of investment properties					(1,072)
Other income and gains, net					4,781
Central administration costs					(2,823)
Finance costs					<u>(5,113)</u>
Loss before tax					<u>(639)</u>

Unaudited six months ended 30th September, 2021

	Segment				
	Cosmetics	Fashion	Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE					
External sales	184,562	79,906	264,468	–	264,468
Inter-segment sales	–	5	5	(5)	–
	<u>184,562</u>	<u>79,911</u>	<u>264,473</u>	<u>(5)</u>	<u>264,468</u>
SEGMENT LOSS	<u>(18,269)</u>	<u>(4,795)</u>	<u>(23,064)</u>	–	(23,064)
Increase in fair value of investment properties					5,665
Other income and gains, net					3,024
Central administration costs					(3,416)
Finance costs					<u>(3,896)</u>
Loss before tax					<u>(21,687)</u>

Other Segment Information

	Unaudited six months ended 30th September, 2022				
	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure – Property, plant and equipment	454	314	768	–	768
Depreciation of right-of-use assets	15,951	17,479	33,430	–	33,430
Depreciation of property, plant and equipment	604	1,267	1,871	674	2,545
Impairment of right-of-use assets	1,052	287	1,339	–	1,339
Scrap, shrinkage and other provision for inventories	<u>1,136</u>	<u>87</u>	<u>1,223</u>	<u>–</u>	<u>1,223</u>

	Unaudited six months ended 30th September, 2021				
	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure – Property, plant and equipment	128	525	653	–	653
Depreciation of right-of-use assets	13,268	17,916	31,184	–	31,184
Depreciation of property, plant and equipment	1,786	1,833	3,619	896	4,515
Impairment of right-of-use assets	1,233	292	1,525	–	1,525
Scrap, shrinkage and other provision for inventories	<u>3,664</u>	<u>168</u>	<u>3,832</u>	<u>–</u>	<u>3,832</u>

4. INCOME TAX EXPENSE

	Six months ended 30th September,	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Profits tax		
Hong Kong		
– Current	290	218
Other jurisdictions		
– (Over)/underprovision in prior periods	(4)	218
Deferred tax	193	197
	<u>479</u>	<u>633</u>

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. The assessable profits of other group entities not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 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.

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 PERIOD

	Six months ended	
	30th September,	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period is arrived at after charging/(crediting):		
Depreciation of right-of-use assets	33,430	31,184
Depreciation of property, plant and equipment	2,545	4,515
Gain on disposal of property, plant and equipment, net	(14)	(15)
Foreign exchange differences, net	(4,720)	889
Bank interest income	(7)	(18)
Rental income from investment properties, with negligible outgoings	(4,775)	(3,005)
Government grants (<i>Note</i>)	(15,110)	–
Gain on modification of leases	(5,385)	(6,806)

Note:

During the current interim period, the Group received cash subsidies of (1) HK\$10,430,000 from the Employment Support Scheme under Anti-epidemic Fund granted by the Hong Kong Special Administrative Region (“SAR”) Government and (2) MOP4,820,000 (equivalent to HK\$4,680,000) from Year 2022 10-Billion-Pataca Fund granted by Macau SAR Government.

The Group has complied all attached conditions and recognised the subsidies in the profit or loss in the current interim period.

6. DIVIDENDS

The board of directors did not recommend the payment of any interim dividend in respect of the financial year ending 31st March, 2023 (2022: nil).

7. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the period of HK\$1,118,000 (2021: HK\$22,320,000) attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 2,518,001,334 (2021: 2,518,001,334) in issue during the period.

The computation of diluted loss per share in both periods does not assume the exercise of the Company’s share options since their assumed exercise would result in a decrease in loss per share.

8. TRADE RECEIVABLES

The following is an aged analysis of trade receivables presented based on the invoice date and net of loss allowance at the end of the reporting period:

	30th September, 2022 (Unaudited) HK\$'000	31st March, 2022 (Audited) HK\$'000
Within 30 days	2,435	2,341
31 – 60 days	1,158	58
61 – 90 days	59	59
91 – 120 days	68	17
	<u>3,720</u>	<u>2,475</u>

9. TRADE PAYABLES

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

	30th September, 2022 (Unaudited) HK\$'000	31st March, 2022 (Audited) HK\$'000
Within 30 days	3,679	5,089
31 – 60 days	2,834	2,200
61 – 90 days	287	831
Over 90 days	471	1,391
	<u>7,271</u>	<u>9,511</u>

10. OTHER PAYABLES (NON-CURRENT PORTION)

The Group had an outstanding balance due to a director of the Company of HK\$19,500,000 (31st March, 2022: nil) as at the end of the reporting period. This balance is unsecured, carries interest of approximately 3.22% per annum and repayable in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th September, 2022, the Group recorded a turnover of HK\$217,866,000 (2021: HK\$264,468,000), representing a decrease of 17.6% as compared with the same period last year. Included in the amount of turnover, HK\$141,623,000 (2021: HK\$184,562,000) was generated by the cosmetics business, representing a decrease of 23.3% as compared with the same period last year and accounting for 65.0% of the Group's total turnover (2021: 69.8%). The turnover of the fashion business amounted to HK\$76,243,000 (2021: HK\$79,906,000), representing a 4.6% decrease as compared with the same period last year. During the period under review, although the operations of retail stores continued to be affected by the epidemic of the novel coronavirus (the “**Pandemic**”), and due to the strategic streamlining of store number by the Group, a lower turnover was recorded in both cosmetics and fashion business segments of the Group as compared with the same period last year, it recorded a loss for the period of HK\$1,118,000 (2021: loss of HK\$22,320,000), representing a significant decrease in loss of approximately 95.0% as compared with the same period last year. The fashion business recorded a segment profit of HK\$6,078,000 (2021: loss of HK\$4,795,000), while the cosmetics business recorded a segment loss of HK\$2,490,000 (2021: loss of HK\$18,269,000). The Group's overall loss for the period included the decrease in the fair value of investment properties of HK\$1,072,000 (2021: increase of HK\$5,665,000). In addition, the Group received the allowances and subsidies totaling approximately HK\$15,110,000 from governments in relation to the epidemic of COVID-19 during the period under review while the Group did not receive any such allowances or subsidies for the same period last year.

Cosmetics Business

As at 30th September, 2022, the Group had 57 *Colourmix* and *MORIMOR* cosmetics stores (30th September, 2021: 64 stores) in total, of which 51 stores were located in Hong Kong and 6 stores were located in Macau. During the period under review, due to the ongoing impact of the fifth wave of the Pandemic, gathering restrictions and quarantine measures, the turnover of the Group's cosmetics business amounted to HK\$141,623,000 (2021: HK\$184,562,000), representing a decrease of 23.3% as compared with the same period last year. The cosmetics business recorded a segment loss of HK\$2,490,000 (2021: a loss of HK\$18,269,000), representing a significant decrease in loss of 86.4% as compared with the same period last year. The decrease was partly attributable to the allowances and subsidies of approximately HK\$8,299,000 related to the COVID-19 epidemic received from governments. In face of the tough business environment, the cosmetics business was mainly supported by local consumption and the Group optimised its product portfolios in response to market demand, resulting in a significant increase in gross profit margin for the period compared to the same period last year, which enhanced the efficiency of store operating performance. In addition, the decrease in loss for the period was also attributable to the optimization of retail network by the Group during the period. As the leases of most stores expired in the financial year 2021/2022, the Group had more bargaining power to re-negotiate the lease terms with landlords upon the expiration of leases, by short-term extension of leases with larger rent reductions or closing down certain loss-making retail stores with unsatisfactory rent reduction, which is conducive in reducing the overall operating loss of the Group. Meanwhile, the Group also leased new stores with reasonable rentals and in premium locations during the period, which had a positive impact on the operating performance of the cosmetics business.

Fashion Business

As at 30th September, 2022, the Group had a total of 73 stores (30th September, 2021: 83 stores) under the brands of *Veeko* and *Wanko*, with 57 stores located in Hong Kong, 12 stores located in the PRC and 4 stores located in Macau. During the period under review, the turnover of the Group's fashion business amounted to HK\$76,243,000 (2021: HK\$79,906,000), representing a decrease of 4.6% as compared with the same period last year. The fashion business recorded a segment profit of HK\$6,078,000 (2021: a loss of HK\$4,795,000). The fashion business turned around from loss-making to profit-making, partly due to allowances and subsidies related to the COVID-19 epidemic received from governments of approximately HK\$6,811,000. In addition, the optimization of the retail network was another major reason for the improvement of the fashion business as compared with the same period last year. In the financial year 2021/2022 and during the period, certain loss-making stores of the fashion retail business in Hong Kong and Macau were closed, which helped to reduce the overall operating loss. Besides, as the production resources of the Group's fashion business are concentrated in self-owned plants in Mainland China, we are able to control cost with flexibility. In face of a challenging operating environment, more flexible production arrangements were made to reduce the inventory level and production costs.

PROSPECTS

The outbreak of the epidemic since early 2020 has been going on for over two years, which has a material impact on different industries, in particular, the retail businesses. It is expected that retail market will continue to be dominated by local consumption in the second half of financial year 2022/2023, and the number of visitors is unlikely to recover in the short term. The management has taken a number of contingency measures to reduce costs, including proactively lowering inventory levels, stringently controlling costs and expenditures, negotiating with landlords for rent concessions when lease expires, as well as closing down underperforming retail stores, which are paying off.

For the cosmetics business, its overall operating loss reduced as stores recording heavy losses closed in succession due to lease expiration. In addition, the Group kept identifying premises in premium locations available at reasonable rentals to reopen stores to optimise the retail network and consolidating product portfolio to further increase gross profit margin. Gross profit margin of the cosmetics business has recorded an increase of more than 12 percentage points for the month of October 2022 compared with the same period last year. According to current progress, the Group is confident that these strategies will lead to further improvements in the performance of the cosmetics business in the second half of the financial year. In addition to physical stores, the Group will also continue to collaborate with well-known e-commerce platforms such as Tmall Global, JD.com, WeChat Mini Programs, etc. The Group will focus on both online and offline businesses to enhance brand awareness and expand customer base.

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 far less than that of the cosmetics business during the period under review. In terms of the fashion retail network, the Group will close down significant loss-making stores upon expiration of lease. In the meantime, we will also identify premises in premium locations available at reasonable rentals to reopen stores. In view of the weak performance of the fashion business in Mainland China market, its contribution to the Group was comparatively minimal, the Group will mainly focus the fashion business on the Hong Kong and Macau markets in the future. The second half of the financial year is the peak season during autumn and winter. Meanwhile, traditional festivals such as Christmas and New Year are generally the golden period of the fashion business. For the month of October 2022, the same-store sales in Hong Kong and Macau recorded an increase of over 17.0% as compared with the same period last year. Therefore, the Group is cautiously optimistic with the fashion business performance in the second half of the financial year.

The Group is principally engaged in cosmetics and fashion retail businesses, and also holds investment properties and self-occupied properties. 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\$704,615,000 in aggregate as at 30th September, 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 businesses and take a number of contingency measures, which include but are not limited to continuing to negotiate rent reductions with landlords, optimising the retail networks, consolidating product portfolio, actively 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\$9,745,000 (31st March, 2022: HK\$10,259,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) and loans from a director amounted to HK\$360,991,000 (31st March, 2022: HK\$375,505,000) and HK\$19,500,000 (31st March, 2022: nil), respectively.

At the end of the reporting period, the current ratio was 0.34 (31st March, 2022: 0.37) and the gearing ratio of the Group was 1.88 (31st March, 2022: 1.88) which was calculated based on the Group's total bank borrowings of HK\$360,991,000 (31st March, 2022: HK\$375,505,000) and the total equity of HK\$191,511,000 (31st March, 2022: HK\$199,411,000).

At 30th September, 2022, the Group had banking facilities amounting to HK\$424,326,000 (31st March, 2022: HK\$443,038,000), of which HK\$365,676,000 (31st March, 2022: HK\$386,355,000) was utilised by the Group.

FOREIGN EXCHANGE EXPOSURE

Several subsidiaries of the Company have foreign currency purchases (mainly in United States Dollar and Euro), which expose the Group to foreign currency risk. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency risk by entering into forward contracts should the need arises.

PLEDGE OF ASSETS

At the end of the reporting period, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK\$486,160,000 (31st March, 2022: HK\$489,384,000).

CONTINGENT LIABILITIES

At 30th September, 2022, the Group had provided guarantees of HK\$731,039,000 (31st March, 2022: HK\$740,915,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF AND REMUNERATION POLICIES

At 30th September, 2022, the Group had approximately 950 employees (31st March, 2022: approximately 950). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performances. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and incentive to enhance their loyalty to the Group.

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

During the six months ended 30th September, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with all the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries, all of the directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30th September, 2022.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2022 have not been reviewed by the Company's independent auditor, but have been reviewed by the Audit Committee. The Audit Committee comprises all the three independent non-executive directors.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt thanks to all the employees for their devotion, contribution and diligence and my deepest gratitude to all the shareholders, customers, suppliers and business partners for their continuous support.

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

Hong Kong, 23rd November, 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.