



VEEKO INTERNATIONAL  
HOLDINGS LIMITED

威高國際控股有限公司

股份代號 Stock Code: 1173



朱千寧  
Veeko 集團代理人



余詩曼  
Wanko 集團代理人



2017/2018 Interim Report 中期報告書

For the six months ended 30<sup>th</sup> September, 2017 截至二零一七年九月三十日止六個月

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## CORPORATE INFORMATION

### Directors

#### Executive directors

Mr. CHENG Chung Man, Johnny  
(Chairman)

Ms. LAM Yuk Sum  
(Chief Executive Officer)

#### Independent non-executive directors

Dr. FOK Kam Chu, John

Mr. LAM Man Tin

Mr. YEUNG Wing Kay

### Audit Committee Members

Mr. YEUNG Wing Kay (Chairman)

Dr. FOK Kam Chu, John

Mr. LAM Man Tin

### Nomination Committee

#### Members

Mr. CHENG Chung Man, Johnny  
(Chairman)

Dr. FOK Kam Chu, John

Mr. LAM Man Tin

Ms. LAM Yuk Sum

Mr. YEUNG Wing Kay

### Remuneration Committee

#### Members

Mr. YEUNG Wing Kay (Chairman)

Mr. CHENG Chung Man, Johnny

Dr. FOK Kam Chu, John

Mr. LAM Man Tin

Ms. LAM Yuk Sum

### Authorised Representatives

Mr. CHENG Chung Man, Johnny

Ms. LAM Yuk Sum

### Company Secretary

Ms. WONG Chi Ying

### Legal Adviser as to Cayman Islands Law

Conyers Dill & Pearnan, Cayman

Zephyr House

George Town

Grand Cayman

British West Indies

### Legal Adviser as to Hong Kong Law

Chiu & Partners

40th Floor, Jardine House

1 Connaught Place

Hong Kong

### Auditor

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

### Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Head Office and Principal Place of Business

10th Floor, Wyler Centre Phase II  
192-200 Tai Lin Pai Road  
Kwai Chung, New Territories  
Hong Kong

### Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai  
Banking Corporation Limited

### Website Addresses

<http://www.veeko.com.hk>

<http://www.irasia.com/listco/hk/veeko/index.htm>

### Stock Code

1173

## 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 (the “Group”) for the six months ended 30th September, 2017. The results, together with the comparative figures for the corresponding period in 2016, are summarised below:

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

For the six months ended 30th September, 2017

		<b>Six months ended 30th September, 2017 (Unaudited) HK\$'000</b>	<b>2016 (Unaudited) HK\$'000</b>
	<i>Notes</i>		
Turnover	4	<b>918,401</b>	1,028,820
Cost of goods sold		<b>(552,003)</b>	(618,766)
Gross profit		<b>366,398</b>	410,054
Selling and distribution costs		<b>(345,565)</b>	(355,634)
Administrative expenses		<b>(57,329)</b>	(60,707)
Other income, gains and losses		<b>1,991</b>	5,683
Finance costs		<b>(3,286)</b>	(2,059)
Loss before tax		<b>(37,791)</b>	(2,663)
Income tax expense	5	<b>(2,590)</b>	(2,238)
Loss for the period	6	<b>(40,381)</b>	(4,901)
<b>Other comprehensive income (expense) for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>2,641</b>	(2,384)
<b>Total comprehensive expense for the period</b>		<b>(37,740)</b>	(7,285)
Dividends	7	–	11,944
Loss per share	8		
Basic and diluted		<b>HK(1.690) cents</b>	HK(0.205) cent

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2017

		<b>30th September, 2017</b>	31st March, 2017
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current Assets</b>			
Investment properties		<b>104,700</b>	104,700
Property, plant and equipment		<b>202,446</b>	214,651
Prepaid lease payments		<b>6,650</b>	6,469
Rental deposits paid		<b>66,800</b>	69,047
Deferred tax assets		<b>5,897</b>	7,612
		<b><u>386,493</u></b>	<u>402,479</u>
<b>Current Assets</b>			
Inventories		<b>477,886</b>	506,118
Trade and other receivables	9	<b>39,569</b>	35,599
Prepaid lease payments		<b>247</b>	236
Rental and utility deposits paid		<b>54,071</b>	53,669
Tax recoverable		<b>10,385</b>	10,878
Pledged bank deposits		<b>6,118</b>	5,843
Bank balances, deposits and cash		<b>58,580</b>	80,269
		<b><u>646,856</u></b>	<u>692,612</u>
<b>Current Liabilities</b>			
Trade and other payables	10	<b>96,616</b>	89,054
Secured bank borrowings		<b>269,553</b>	300,132
Tax payable		<b>1,693</b>	2,683
		<b><u>367,862</u></b>	<u>391,869</u>
Net Current Assets		<b><u>278,994</u></b>	<u>300,743</u>
		<b><u><u>665,487</u></u></b>	<u><u>703,222</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(Continued)*

At 30th September, 2017

		<b>30th September, 2017 (Unaudited) HK\$'000</b>	31st March, 2017 (Audited) HK\$'000
	<i>Notes</i>		
Capital and Reserves			
Share capital	11	23,888	23,888
Reserves		<u>637,971</u>	<u>675,559</u>
		<u><b>661,859</b></u>	<u>699,447</u>
Non-current Liability			
Deferred tax liabilities		<u>3,628</u>	<u>3,775</u>
		<u><b>665,487</b></u>	<u><b>703,222</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2017

	(Unaudited)								
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Statutory reserves (Note) HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2017 (audited)	23,888	205,048	1,795	(1,532)	2,266	213	1,925	465,844	699,447
Loss for the period	-	-	-	-	-	-	-	(40,381)	(40,381)
Other comprehensive income for the period	-	-	-	2,641	-	-	-	-	2,641
Total comprehensive income (expense) for the period	-	-	-	2,641	-	-	-	(40,381)	(37,740)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	152	-	152
Share options cancelled	-	-	-	-	-	-	(123)	123	-
Transfer	-	-	-	-	-	48	-	(48)	-
At 30th September, 2017	<u>23,888</u>	<u>205,048</u>	<u>1,795</u>	<u>1,109</u>	<u>2,266</u>	<u>261</u>	<u>1,954</u>	<u>425,538</u>	<u>661,859</u>
At 1st April, 2016 (audited)	23,888	205,048	-	1,805	2,266	203	1,723	517,756	752,689
Loss for the period	-	-	-	-	-	-	-	(4,901)	(4,901)
Other comprehensive expense for the period	-	-	-	(2,384)	-	-	-	-	(2,384)
Total comprehensive expense for the period	-	-	-	(2,384)	-	-	-	(4,901)	(7,285)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	306	-	306
Share options cancelled	-	-	-	-	-	-	(244)	244	-
Transfer	-	-	-	-	-	59	-	(59)	-
At 30th September, 2016	<u>23,888</u>	<u>205,048</u>	<u>-</u>	<u>(579)</u>	<u>2,266</u>	<u>262</u>	<u>1,785</u>	<u>513,040</u>	<u>745,710</u>

Note: The statutory reserves of the Group comprise the aggregate of:

- (a) non-distributable reserves set aside by the Macau subsidiaries in accordance with relevant statutory requirements; and
- (b) reserves required by the relevant laws of the People's Republic of China (the "PRC") applicable to the Company's PRC subsidiary and are appropriated at directors' discretion, which are complied with Articles of Association of respective PRC subsidiary.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 30th September, 2017*

	<b>Six months ended 30th September, 2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
Net cash from operating activities	<b>15,446</b>	13,226
Net cash used in investing activities	<b>(4,178)</b>	(20,885)
Net cash used in financing activities	<b>(33,865)</b>	(7,170)
Net decrease in cash and cash equivalents	<b>(22,597)</b>	(14,829)
Cash and cash equivalents at 1st April	<b>80,269</b>	74,226
Effect of foreign exchange rate changes	<b>908</b>	(452)
Cash and cash equivalents at 30th September		
Represented by bank balances, deposits and cash	<b><u>58,580</u></b>	<b><u>58,945</u></b>

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. STATEMENT OF COMPLIANCE

The condensed consolidated financial statements for the six months ended 30th September, 2017 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”), and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

### 2. BASIS OF PREPARATION

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2017.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 4. SEGMENT INFORMATION

### Operating Segments

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

The Group's reportable and operating segments under HKFRS 8 are Cosmetics and Fashion, of which principal activities are as follows:

- Cosmetics – Sale of cosmetics
- Fashion – Manufacture and sale of ladies fashion

### Segment Revenue and Results

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

	Unaudited six months ended 30th September, 2017				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	747,852	170,549	918,401	–	918,401
Inter-segment sales	–	282	282	(282)	–
	<u>747,852</u>	<u>170,831</u>	<u>918,683</u>	<u>(282)</u>	<u>918,401</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT LOSS	<u>(25,197)</u>	<u>(8,428)</u>	<u>(33,625)</u>	–	(33,625)
Other income, gains and losses					1,889
Central administration costs					(2,769)
Finance costs					(3,286)
Loss before tax					<u>(37,791)</u>

4. **SEGMENT INFORMATION** (Continued)  
**Operating Segments** (Continued)  
**Segment Revenue and Results** (Continued)

	Unaudited six months ended 30th September, 2016				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	828,153	200,667	1,028,820	–	1,028,820
Inter-segment sales	–	345	345	(345)	–
	<u>828,153</u>	<u>201,012</u>	<u>1,029,165</u>	<u>(345)</u>	<u>1,028,820</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT PROFIT	<u>1,319</u>	<u>962</u>	<u>2,281</u>	–	2,281
Other income, gains and losses					140
Central administration costs					(3,025)
Finance costs					(2,059)
Loss before tax					<u>(2,663)</u>

**Other Segment Information**

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

	Unaudited six months ended 30th September, 2017				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
Capital expenditure	1,488	2,821	4,309	–	4,309
Depreciation of property, plant and equipment	<u>10,349</u>	<u>5,713</u>	<u>16,062</u>	<u>1,254</u>	<u>17,316</u>

**4. SEGMENT INFORMATION** *(Continued)*  
**Operating Segments** *(Continued)*  
**Other Segment Information** *(Continued)*

	Unaudited six months ended 30th September, 2016				
	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	8,074	4,858	12,932	–	12,932
Depreciation of property, plant and equipment	<u>12,981</u>	<u>6,452</u>	<u>19,433</u>	<u>1,272</u>	<u>20,705</u>

**5. INCOME TAX EXPENSE**

	Six months ended 30th September,	
	2017 <b>(Unaudited)</b> <i>HK\$'000</i>	2016 <b>(Unaudited)</b> <i>HK\$'000</i>
The charge comprises:		
Profits tax		
Hong Kong	<b>422</b>	420
Other jurisdictions	<b>600</b>	1,675
Deferred tax	<u><b>1,568</b></u>	<u>143</u>
	<u><b>2,590</b></u>	<u>2,238</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**6. LOSS FOR THE PERIOD**

	<b>Six months ended 30th September,</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000

Loss for the period has been arrived at after charging:

Amortisation of prepaid lease payments	<b>122</b>	123
Depreciation of property, plant and equipment	<b>17,316</b>	20,705
Loss on disposal of property, plant and equipment	<b>730</b>	710
Net exchange loss (gain)	<b>1,349</b>	(317)
	<b><u>          </u></b>	<b><u>          </u></b>

and after crediting:

Bank interest income	<b>99</b>	63
Rental income from investment properties	<b>1,790</b>	76
	<b><u>          </u></b>	<b><u>          </u></b>

**7. DIVIDENDS**

	<b>Six months ended 30th September,</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000

Dividends recognised as distribution during the period:

2016 final dividend of HK0.5 cent (2017: nil) per share	<b>—</b>	11,944
	<b><u>          </u></b>	<b><u>          </u></b>

## 8. LOSS PER SHARE

	<b>Six months ended 30th September,</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b><u>HK\$(40,381,000)</u></b>	<b><u>HK\$(4,901,000)</u></b>

Number of shares:

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b><u>2,388,884,410</u></b>	<b><u>2,388,884,410</u></b>
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The computation of diluted loss per share in both periods does not assume the exercise of the Company's share options will result in decrease in loss per share.

## 9. TRADE AND OTHER RECEIVABLES

At 30th September, 2017, included in the Group's trade and other receivables were trade receivables of HK\$18,673,000 (31st March, 2017: HK\$16,057,000). The Group allows 30 to 60 days credit period for receivables from sales counters and a credit period of 60 to 120 days to its wholesale customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	<b>30th September, 2017</b>	31st March, 2017
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>11,701</b>	8,777
31 – 60 days	<b>149</b>	352
61 – 90 days	<b>308</b>	671
Over 90 days	<b><u>6,515</u></b>	<u>6,257</u>
	<b><u>18,673</u></b>	<u>16,057</u>

**10. TRADE AND OTHER PAYABLES**

At 30th September, 2017, included in the Group's trade and other payables were trade payables of HK\$54,584,000 (31st March, 2017: HK\$46,116,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	<b>30th September, 2017 (Unaudited) HK\$'000</b>	31st March, 2017 (Audited) HK\$'000
Within 30 days	<b>43,074</b>	25,974
31 – 60 days	<b>6,323</b>	16,408
61 – 90 days	<b>2,360</b>	2,029
Over 90 days	<b>2,827</b>	1,705
	<b>54,584</b>	46,116

**11. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Value HK\$'000</b>
Ordinary shares at HK\$0.01 each		
Authorised:		
At 1st April, 2016, 31st March, 2017 and 30th September, 2017	<b>10,000,000,000</b>	<b>100,000</b>
Issued and fully paid:		
At 1st April, 2016, 31st March, 2017 and 30th September, 2017	<b>2,388,884,410</b>	<b>23,888</b>

## 12. OPERATING LEASES

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30th September, 2017 (Unaudited) HK\$'000</b>	31st March, 2017 (Audited) HK\$'000
Within one year	<b>316,846</b>	337,572
In the second to fifth years inclusive	<b>277,440</b>	277,230
	<b><u>594,286</u></b>	<b><u>614,802</u></b>

In addition to these commitments, the Group may pay additional rental expenses in respect of certain premises which are contingent upon the level of sales achieved by particular stores.

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>30th September, 2017 (Unaudited) HK\$'000</b>	31st March, 2017 (Audited) HK\$'000
Within one year	<b>3,459</b>	3,448
In the second to fifth years inclusive	<b>3,892</b>	5,584
	<b><u>7,351</u></b>	<b><u>9,032</u></b>

## 13. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to certain banks to secure general banking facilities granted to the Group:

	<b>30th September, 2017 (Unaudited) HK\$'000</b>	31st March, 2017 (Audited) HK\$'000
Investment properties	<b>102,750</b>	102,750
Leasehold land and buildings	<b>126,148</b>	129,029
Pledged bank deposits	<b>6,118</b>	5,843
	<b><u>235,016</u></b>	<b><u>237,622</u></b>

## **INTERIM DIVIDEND**

At the Board Meeting held on 28th November, 2017, the Board has resolved to declare the payment of an interim dividend of HK0.5 cent (2017: HK0.6 cent) per share of HK\$0.01 each in cash, with an option for the shareholders to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash (the “Scrip Dividend Scheme”) in respect of the financial year ending 31st March, 2018. The interim dividend will be payable on or about Thursday, 8th February, 2018, to the shareholders whose names appeared on the register of members of the Company on Monday, 18th December, 2017.

A circular containing details of the Scrip Dividend Scheme will be despatched to the shareholders of the Company shortly.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the entitlements to the interim dividend for the year ending 31st March, 2018, the register of members of the Company will be closed from Thursday, 14th December, 2017 to Monday, 18th December, 2017 (both days inclusive) during which period no transfer of shares will be registered. The last day for dealing in shares cum entitlements to the interim dividend for the year ending 31st March, 2018 will be on Monday, 11th December, 2017. Shareholders are reminded that in order to qualify for the interim dividend for the year ending 31st March, 2018, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 13th December, 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30th September, 2017, the Group recorded a turnover of HK\$918,401,000 (2016: HK\$1,028,820,000), representing a decrease of 10.7% as compared with the corresponding period last year. Included in the turnover was HK\$747,852,000 (2016: HK\$828,153,000) generated by the cosmetics business, representing a decrease of 9.7% as compared with the corresponding period last year, which also accounted for 81.4% (2016: 80.5%) of the Group's total turnover. Turnover of the fashion business amounted to HK\$170,549,000 (2016: HK\$200,667,000), representing a decrease of 15% as compared with the same period last year. The gross profit margin of the fashion business was 73.5%, representing an increase of 2.7 percentage points as compared with 70.8% for the corresponding period last year. For the period, the gross profit margin of the cosmetics business was 32.2%, which was similar as 32.4% of the same period last year. The Group recorded a loss of HK\$40,381,000 during the period (2016: loss of HK\$4,901,000), mainly attributable to the drop in sales, as a result of the continuously weak retail environment with cautious consumption sentiment in Hong Kong. The cosmetics business of the Group recorded a segment loss of HK\$25,197,000 (2016: profit of HK\$1,319,000), and the fashion business recorded a segment loss of HK\$8,428,000 (2016: profit of HK\$962,000) for the current period.

### Cosmetics Business

As at 30th September, 2017, the Group had 85 **Colourmix** stores (30th September, 2016: 87 stores), as well as 7 **MORIMOR** stores (30th September, 2016: 7 stores) located in Hong Kong. For **Colourmix** stores, 80 stores were located in Hong Kong, 4 stores were in Macau, and 1 store was in China. **MORIMOR** stores offer high quality trendy skin care and cosmetics products by integrating global premier skin care and beauty concepts, with diversified products covering skin care, fragrance, make-up, hairdressing, body care and cosmeceuticals and health food. In addition, the professional beauty consultants offer customised personal services and consultations on skin care so that customers can enjoy the relaxed and pleasant experience of beauty services. Cosmetics retail business recorded a turnover of HK\$747,852,000 (2016: HK\$828,153,000) during the current period, representing a decrease of 9.7% and accounting for 81.4% of the Group's total turnover. The gross profit margin of the cosmetics business for the period was 32.2%, which was similar as 32.4% of the same period last year. The cosmetics business for the period recorded a segment loss of HK\$25,197,000 (2016: profit of HK\$1,319,000). With the continuously weak overall consumption environment in Hong Kong and Macau, which led to a drop in sales and a segment loss for the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Fashion Business

As at 30th September, 2017, the Group had 108 fashion stores (30th September, 2016: 129 stores) across Hong Kong, Macau, Singapore and Mainland China. The main reason for the decrease in the number of stores was the restructuring of the Group's retail network in overseas markets during the period, particularly in Singapore, so as to reduce the negative impact on the overall performance of fashion business. During the period under review, the retail market in Hong Kong was still weak with slow economic recovery, which resulted in a decrease of 15% in the turnover of the Group's fashion business. However, the gross profit margin increased by 2.7 percentage points to 73.5% compared to the corresponding period last year, mainly attributable to a reduction in production costs due to the Group's stringent control over procurement and production costs. The fashion business recorded a segment loss of HK\$8,428,000 for the period (2016: profit of HK\$962,000).

### Fashion Business – Hong Kong and Macau Market

The fashion retail business in Hong Kong and Macau accounted for 88% of the total turnover of the fashion business of the Group. For the six months ended 30th September, 2017, turnover from the Hong Kong and Macau market amounted to HK\$149,997,000 (2016: HK\$174,073,000), representing a decrease of 13.8% over the same period last year. The gross profit margin for the Hong Kong and Macau region was 73.8%, representing an increase of 1.8 percentage points from 72% for the same period last year. As at 30th September, 2017, the Group had a total of 78 stores in Hong Kong and Macau, as compared with 83 stores for the same period last year.

### Fashion Business – Singapore Market

During the first half of this financial year, turnover of the retail business in Singapore amounted to HK\$8,297,000 (2016: HK\$13,189,000), representing a decrease by 37.1% over the same period last year, mainly attributable to a decrease in the number of stores. As at 30th September, 2017, the Group had 2 stores (30th September, 2016: 8 stores) in Singapore. The Group has ceased its fashion retail operation in Singapore at the end of October, 2017 to reduce the negative impact on the overall performance of fashion business in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Fashion Business – China Market

During the period under review, turnover of the China market amounted to HK\$12,255,000 (2016: HK\$13,356,000), representing a decrease of 8.2% as compared with the same period last year. As of 30th September, 2017, the Group had a total of 28 **Veeko** and **Wanko** stores in China (30th September, 2016: 38 stores). By closing down underperforming stores in the China market, the overall operation efficiency was enhanced. During the period under review, the retail business in China recorded an increase of 5.2% in the sales of comparable stores in local currency. Apart from the conventional physical retail network, the Group had distribution channels through a number of e-commerce platforms such as T-mall.

### PROSPECTS

The Group anticipates that the retail market in Hong Kong has become stable gradually. Under the challenging environment, the Group will continue to seek opportunities for growth and improvements. The management will continue to monitor the market closely in the future for various fluctuations and uncertainties, and take appropriate measures accordingly. In the meantime, the Group will remain to be prudent in its financial and operational management through stringent costs control and strengthened inventory management, so as to lower inventory costs and overall logistic costs to enhance the inventory efficiency. Looking forward, the Group will continue to commit to the enrichment of the cosmetics product portfolio, as well as increasing trendy beauty products with exclusive distributorship, conducting staff training for the provision of quality professional services, and stepping up internal consolidation. Given the slowdown in the retail market, the rentals for certain stores dropped correspondingly, the Group will close down underperforming cosmetics stores and continue to identify prime locations with lower rents for new stores. The Group has opened a new **MORIMOR** store in the shopping mall of The Venetian Macao Resort Hotel at the end of November, 2017, which is the first **MORIMOR** store outside Hong Kong. It is expected that the market presence and popularity of **MORIMOR** stores will be further enhanced through its brand-new image in quality and trendy cosmetics.

The cosmetics business has become stable since September, 2017 and the sales of comparable stores of the month recorded an increase as compared with the same period last year. During the period from 1st October, 2017 to 11th November, 2017, its sales of comparable stores recorded an increase of approximately 16% as compared with the same period last year.

**PROSPECTS** *(Continued)*

Regarding the fashion retail business, the Hong Kong and Macau market accounted for 88% of the total turnover of the Group's fashion business. The Group will continue to focus primarily on the Hong Kong and Macau market in the future, optimise product designs and improve customers' shopping experience, and look for opportunities to meet the constantly changing demands in the market. The Group has ceased its fashion retail operation in Singapore to reduce the negative impact on the overall performance of fashion business, as well as to better allocate the resources of the Group to its other businesses. The Group will continue to be cautious in the adjustment of the store portfolio, by deploying the resources to profitable stores and improving retail operation in the stores. During the period under review, the Group has phased out the Zhuhai production plant and redeployed its production resources to the self-owned production plant in Shantou. It is believed that this will further enhance the cost effectiveness of its overall fashion production. As the cost incurred in closing down the Zhuhai plant (which included severance payments to the employees and other necessary costs) has been accounted for in this period, the financial performance for the period will inevitably be affected on a temporary basis. However, such measures can further reduce production cost in the future, increase gross profit for the fashion retail business and bring long term benefits to cost control of production. With the restructuring of production resources, the capacity of the self-owned production plant in Shantou can be better utilised. The Group is also planning to rent out certain floors of the Shantou plant in the second half of the financial year for rental income, which is expected to bring returns to the Group.

The Group will continue to be cautious in adjusting its store portfolio and reviewing rental levels. Given the slowdown in the retail market and the gradual downward adjustments of rental rates for certain stores, the rental pressure for stores with expiring lease terms will be reduced, and the Group will achieve better results in controlling rental costs. The Group also constantly explores for investment opportunities with an aim to increase rental income through investments in properties. In addition, the Group will also strive to uplift its competitiveness, in order to lay a solid foundation for the Group's sustainable growth in the future, to further increase its overall profits and to maintain a healthy growth in its core business in the long run.

## LIQUIDITY & FINANCIAL RESOURCES

The Group's working capital decreased from HK\$300,743,000 as at 31st March, 2017 to HK\$278,994,000 for the period end.

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong Dollar and Renminbi) amounted to HK\$64,698,000 (31st March, 2017: HK\$86,112,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$269,553,000 (31st March, 2017: HK\$300,132,000).

At the end of the reporting period, the current ratio was 1.76 times (31st March, 2017: 1.77 times) and the gearing ratio of the Group was 0.41 (31st March, 2017: 0.43) which was calculated based on the Group's total borrowings of HK\$269,553,000 (31st March, 2017: HK\$300,132,000) and the total equity of HK\$661,859,000 (31st March, 2017: HK\$699,447,000).

At 30th September, 2017, the Group had banking facilities amounting to HK\$368,066,000 (31st March, 2017: HK\$367,567,000), of which HK\$293,353,000 (31st March, 2017: HK\$323,730,000) 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\$235,016,000 (31st March, 2017: HK\$237,662,000).

## CONTINGENT LIABILITIES

At 30th September, 2017, the Company had provided guarantees of HK\$450,500,000 (31st March, 2017: HK\$450,822,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

## STAFF AND REMUNERATION POLICIES

At 30th September, 2017, the Group had approximately 1,900 employees (31st March, 2017: approximately 2,200). 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.

## SHARE OPTION SCHEME

No options were granted to the directors or substantial shareholders of the Company during the period or outstanding under the share option scheme.

The following table discloses details of options held by employees of the Group and movements in such holdings during the period ended 30th September, 2017:

Date of grant	Vesting period	Exercisable period	Exercise price per share	Balance at 1.4.2017	Cancelled during the period	Outstanding at 30.9.2017
7th October, 2013	7th October, 2013 to 6th October, 2016	7th October, 2016 to 6th October, 2018	HK\$0.2250	15,960,000	(1,200,000)	14,760,000
7th October, 2013	7th October, 2013 to 6th October, 2018	7th October, 2018 to 6th October, 2020	HK\$0.2250	15,960,000	(1,200,000)	14,760,000
25th April, 2014	25th April, 2014 to 24th April, 2017	25th April, 2017 to 24th April, 2019	HK\$0.3000	2,120,000	–	2,120,000
25th April, 2014	25th April, 2014 to 24th April, 2019	25th April, 2019 to 24th April, 2021	HK\$0.3000	2,120,000	–	2,120,000
9th January, 2017	9th January, 2017 to 8th January, 2020	9th January, 2020 to 8th January, 2022	HK\$0.1832	3,000,000	–	3,000,000
9th January, 2017	9th January, 2017 to 8th January, 2022	9th January, 2022 to 8th January, 2024	HK\$0.1832	3,000,000	–	3,000,000
				42,160,000	(2,400,000)	39,760,000

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2017, the interests of the directors and chief executive officer in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Name of director	Capacity/Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Chung Man, Johnny	Founder	1,308,257,768 <i>(Note)</i>	
	Beneficial owner	<u>173,757,514</u>	
		<u>1,482,015,282</u>	<u>62.04%</u>
Ms. Lam Yuk Sum <i>(Chief Executive Officer)</i>	Beneficiary of Trust	1,308,257,768 <i>(Note)</i>	
	Beneficial owner	<u>256,027,462</u>	
		<u>1,564,285,230</u>	<u>65.48%</u>

*Note:* These 1,308,257,768 shares are beneficially owned by Silver Crown Profits Limited ("Silver Crown"). The shares in Silver Crown are in turn held by the trustee of the J Cheng Family Trust, a discretionary trust, the discretionary objects of which include family members of Mr. Cheng Chung Man, Johnny and Ms. Lam Yuk Sum.

**DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(Continued)*

Other than disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors and the chief executive officer had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as at 30th September, 2017, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

Other than disclosed above under the section headed "Directors' and Chief Executive Officer's Interests in Shares, Underlying Shares and Debentures" and other substantial shareholders' interests disclosed in the following table, at 30th September, 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had not been notified by any persons (other than the directors and the chief executive officer) of any other relevant interests or short positions in the shares, underlying shares and debentures of the Company.

<b>Name of shareholder</b>	<b>Capacity/Nature of interest</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Silver Crown	Beneficial owner	1,308,257,768	54.76%
Well Feel Group Limited ("Well Feel")	Interest of a controlled corporation <i>(Note)</i>	1,308,257,768	54.76%
HSBC International Trustee Limited ("HSBC International")	Trustee <i>(Note)</i>	1,308,257,768	54.76%

*Note:* The entire issued share capital of Silver Crown was held by Well Feel which in turn was a wholly-owned subsidiary of HSBC International. By virtue of the provisions of Part XV of the SFO, each of Well Feel and HSBC International was deemed to be interested in all the shares of the Company in which Silver Crown was interested.

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

During the six months ended 30th September, 2017, 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, 2017.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted 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, 2017.

## **AUDIT COMMITTEE**

The unaudited results of the Group for the six months ended 30th September, 2017 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. I sincerely hope that all of you will continue to contribute to the success of the Group.

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

Hong Kong, 28th November, 2017

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**VEEKO INTERNATIONAL HOLDINGS LIMITED**

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[www.irasia.com/listco/hk/veeko/index.htm](http://www.irasia.com/listco/hk/veeko/index.htm)

Listed on The Main Board of The Stock Exchange of Hong Kong Limited

香港聯合交易所有限公司主板上市公司

Stock Code 股份代號: 1173

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