

Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

Stock Code 股份代號: 1173



Rebecca Zhu 朱晨麗
Wanko Image Girl 星級代言人



Joey Thye 戴祖儀
Veeko Image Girl 星級代言人



2020/2021 Interim Report 中期報告書

For the six months ended 30th September, 2020 截至二零二零年九月三十日止六個月
Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立之有限公司

Veeko

wanko

colourmixe

MORIMOR



非凡魚子盛宴

重塑緊緻嫩肌

魚子緊緻修護乳液



CORPORATE INFORMATION

Directors

Executive directors

Mr. CHENG Chung Man, Johnny
(*Chairman*)

Ms. LAM Yuk Sum
(*Chief Executive Officer*)

Non-executive director

Mr. LAM Man Tin

Independent non-executive directors

Mr. AU-YEUNG Hau Cheong

Mr. CHENG Man Loong, Monty

Mr. YEUNG Wing Kay

Audit Committee Members

Mr. YEUNG Wing Kay (*Chairman*)

Mr. AU-YEUNG Hau Cheong

Mr. CHENG Man Loong, Monty

Nomination Committee Members

Mr. CHENG Chung Man, Johnny
(*Chairman*)

Mr. AU-YEUNG Hau Cheong

Mr. CHENG Man Loong, Monty

Ms. LAM Yuk Sum

Mr. YEUNG Wing Kay

Remuneration Committee Members

Mr. YEUNG Wing Kay (*Chairman*)

Mr. AU-YEUNG Hau Cheong

Mr. CHENG Chung Man, Johnny

Mr. CHENG Man Loong, Monty

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 & Pearman, 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
Registered Public Interest Entity Auditors
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
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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 54
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

www.veeko.com.hk
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 (collectively referred to as the "Group") for the six months ended 30th September, 2020. The results, together with the comparative figures for the corresponding period in 2019, are summarised below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2020

		Six months ended 30th September,	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	4	229,091	601,843
Cost of goods sold		<u>(135,570)</u>	<u>(371,857)</u>
Gross profit		93,521	229,986
Selling and distribution costs		(132,763)	(258,819)
Administrative expenses		(38,934)	(51,819)
Other income, gains and losses		36,736	7,223
Decrease in fair value of investment properties		(16,003)	(18,151)
Impairment of right-of-use assets		(23,920)	(5,140)
Finance costs		<u>(8,937)</u>	<u>(12,200)</u>
Loss before tax		(90,300)	(108,920)
Income tax expense	5	<u>(1,088)</u>	<u>(3,353)</u>
Loss for the period	6	<u>(91,388)</u>	<u>(112,273)</u>
Other comprehensive income (expense) for the period			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of properties		–	1,893
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>4,345</u>	<u>(5,529)</u>
Other comprehensive income (expense) for the period		<u>4,345</u>	<u>(3,636)</u>
Total comprehensive expense for the period		<u>(87,043)</u>	<u>(115,909)</u>
Dividends	7	–	2,518
Loss per share	8		
Basic and diluted		<u>HK(3.629) cents</u>	<u>HK(4.459) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2020

		30th September, 2020 (Unaudited) HK\$'000	31st March, 2020 (Audited) HK\$'000
	Notes		
Non-current Assets			
Investment properties		292,036	306,113
Property, plant and equipment	9	140,645	144,432
Right-of-use assets	10	110,439	180,278
Rental deposits paid		23,290	29,504
Deferred tax assets		4,287	4,745
		<u>570,697</u>	<u>665,072</u>
Current Assets			
Inventories		280,009	356,014
Trade and other receivables	11	39,828	25,527
Rental and utility deposits paid		44,826	46,635
Tax recoverable		–	9,806
Bank balances, deposits and cash		45,008	26,476
		<u>409,671</u>	<u>464,458</u>
Current Liabilities			
Trade and other payables	12	54,176	61,415
Rental deposits received		850	700
Secured bank borrowings		426,240	420,059
Lease liabilities		138,012	158,974
Provision		4,481	4,481
Tax payable		912	893
		<u>624,671</u>	<u>646,522</u>
Net Current Liabilities		<u>(215,000)</u>	<u>(182,064)</u>
		<u>355,697</u>	<u>483,008</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30th September, 2020

		30th September, 2020 (Unaudited) HK\$'000	31st March, 2020 (Audited) HK\$'000
	<i>Note</i>		
Capital and Reserves			
Share capital	13	25,180	25,180
Reserves		242,154	329,184
		267,334	354,364
Non-current Liabilities			
Rental deposits received		974	577
Deferred tax liabilities		12,256	11,608
Lease liabilities		72,844	116,459
Other payables		2,289	–
		88,363	128,644
		355,697	483,008

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2020

	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, 2020	25,180	223,654	17,971	(5,222)	2,266	24	1,153	89,338	354,364
Loss for the period	-	-	-	-	-	-	-	(91,388)	(91,388)
Other comprehensive income for the period	-	-	-	4,345	-	-	-	-	4,345
Total comprehensive income (expense) for the period	-	-	-	4,345	-	-	-	(91,388)	(87,043)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	13	-	13
Share options cancelled	-	-	-	-	-	-	(60)	60	-
At 30th September, 2020 (unaudited)	<u>25,180</u>	<u>223,654</u>	<u>17,971</u>	<u>(877)</u>	<u>2,266</u>	<u>24</u>	<u>1,106</u>	<u>(1,990)</u>	<u>267,334</u>
At 1st April 2019	25,180	223,654	14,726	(1,099)	2,266	24	1,254	349,493	615,498
Loss for the period	-	-	-	-	-	-	-	(112,273)	(112,273)
Other comprehensive income (expense) for the period	-	-	1,893	(5,529)	-	-	-	-	(3,636)
Total comprehensive income (expense) for the period	-	-	1,893	(5,529)	-	-	-	(112,273)	(115,909)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	30	-	30
Share options lapsed	-	-	-	-	-	-	(152)	152	-
Dividends recognised as distribution (Note 7)	-	-	-	-	-	-	-	(2,518)	(2,518)
At 30th September, 2019 (unaudited)	<u>25,180</u>	<u>223,654</u>	<u>16,619</u>	<u>(6,628)</u>	<u>2,266</u>	<u>24</u>	<u>1,132</u>	<u>234,854</u>	<u>497,101</u>

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

- non-distributable reserves set aside by the Macau subsidiaries in accordance with relevant statutory requirements; and
- 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 the PRC subsidiary.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2020

	Six months ended 30th September, 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash from operating activities	95,177	22,753
Net cash used in investing activities	(4,032)	(109,684)
Net cash (used in) from financing activities	(72,922)	64,919
Net increase (decrease) in cash and cash equivalents	18,223	(22,012)
Cash and cash equivalents at 1st April	26,476	56,064
Effect of foreign exchange rate changes	309	(590)
Cash and cash equivalents at 30th September Represented by bank balances, deposits and cash	45,008	33,462

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”).

In preparing these condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the “Group”) in light of the Group’s net loss of HK\$91,388,000 and net current liabilities position of HK\$215,000,000, the outstanding bank borrowings and lease liabilities due for repayment against the expected future net cash inflows from operations, cash and cash equivalents and the existing credit facilities of the Group.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2020.



3. APPLICATION OF AMENDMENTS TO HKFRSs

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

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

The application of the Amendments to References to the Conceptual Framework in HKFRSs and 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.

4. REVENUE AND SEGMENT INFORMATION

For the six months ended 30th September, 2020

Disaggregation of revenue from contracts with customers

	Cosmetics HK\$'000	Fashion HK\$'000	Total HK\$'000
Types of goods			
Sale of cosmetics	154,858	–	154,858
Manufacture and sale of ladies fashion	–	74,233	74,233
Total	154,858	74,233	229,091
Timing of revenue recognition			
A point in time	154,858	74,233	229,091
Geographical markets			
Hong Kong and Macau	154,858	69,548	224,406
Other regions of the PRC	–	4,685	4,685
Total	154,858	74,233	229,091

4. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30th September, 2019

Disaggregation of revenue from contracts with customers

	Cosmetics HK\$'000	Fashion HK\$'000	Total HK\$'000
Types of goods			
Sale of cosmetics	493,295	–	493,295
Manufacture and sale of ladies fashion	–	108,548	108,548
	<u>493,295</u>	<u>108,548</u>	<u>601,843</u>
Total	<u>493,295</u>	<u>108,548</u>	<u>601,843</u>
Timing of revenue recognition			
A point in time	<u>493,295</u>	<u>108,548</u>	<u>601,843</u>
Geographical markets			
Hong Kong and Macau	491,707	101,239	592,946
Other regions of the PRC	<u>1,588</u>	<u>7,309</u>	<u>8,897</u>
	<u>493,295</u>	<u>108,548</u>	<u>601,843</u>
Total	<u>493,295</u>	<u>108,548</u>	<u>601,843</u>

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

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

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

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



4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) 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’s reportable and operating segments under HKFRS 8 *Operating Segments* are Cosmetics and Fashion, of which principal activities are as follows:

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

Segment Revenue and Results

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

	Unaudited six months ended 30th September, 2020				
	Cosmetics HK\$’000	Fashion HK\$’000	Segment total HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
REVENUE					
External sales	154,858	74,233	229,091	–	229,091
Inter-segment sales	–	7	7	(7)	–
	<u>154,858</u>	<u>74,240</u>	<u>229,098</u>	<u>(7)</u>	<u>229,091</u>
SEGMENT LOSS	<u>(58,114)</u>	<u>(10,268)</u>	<u>(68,382)</u>	–	<u>(68,382)</u>
Decrease in fair value of investment properties					(16,003)
Other income, gains and losses					2,952
Central administration costs					(3,313)
Finance costs					(5,554)
Loss before tax					<u>(90,300)</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Operating Segments (Continued)
Segment Revenue and Results (Continued)

	Unaudited six months ended 30th September, 2019				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	493,295	108,548	601,843	-	601,843
Inter-segment sales	-	9	9	(9)	-
	<u>493,295</u>	<u>108,557</u>	<u>601,852</u>	<u>(9)</u>	<u>601,843</u>
SEGMENT LOSS	<u>(60,075)</u>	<u>(24,036)</u>	<u>(84,111)</u>	-	<u>(84,111)</u>
Decrease in fair value of investment properties					(18,151)
Other income, gains and losses					4,003
Central administration costs					(3,779)
Finance costs					<u>(6,882)</u>
Loss before tax					<u><u>(108,920)</u></u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss before tax incurred by each segment without allocation of decrease in fair value of investment properties, certain other income, gains and losses, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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.



4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Operating Segments (Continued)

Other Segment Information

Amounts included in the measure of segment results or regularly reviewed by the CODM:

	Unaudited six months ended 30th September, 2020				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
Capital expenditure					
– Property, plant and equipment	910	2,773	3,683	–	3,683
Depreciation of right-of-use assets	35,119	22,535	57,654	–	57,654
Depreciation of property, plant and equipment	4,071	2,407	6,478	974	7,452
Impairment loss recognised in respect of right-of-use assets	19,924	3,996	23,920	–	23,920
Scrap and shrinkage for inventories	<u>3,487</u>	<u>148</u>	<u>3,635</u>	<u>–</u>	<u>3,635</u>

	Unaudited six months ended 30th September, 2019				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
Capital expenditure					
– Property, plant and equipment	1,945	1,061	3,006	–	3,006
– Investment properties	–	–	–	128,456	128,456
Depreciation of right-of-use assets	65,269	28,138	93,407	–	93,407
Depreciation of property, plant and equipment	7,220	3,624	10,844	1,252	12,096
Impairment loss recognised in respect of right-of-use assets	5,140	–	5,140	–	5,140
Scrap and shrinkage for inventories	<u>3,641</u>	<u>376</u>	<u>4,017</u>	<u>–</u>	<u>4,017</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group's operations are principally located in Hong Kong and Macau, and other regions of the PRC. Information about the Group's revenue from external customers is presented based on the geographical locations of operations.

	Six months ended 30th September,	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong and Macau	224,406	592,946
Other regions of the PRC	4,685	8,897
	<u>229,091</u>	<u>601,843</u>

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



5. INCOME TAX EXPENSE

	Six months ended 30th September,	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Profits tax		
Hong Kong	306	336
Other jurisdictions	26	1,603
Deferred tax	756	1,414
	1,088	3,353

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

Accordingly, starting from the year ended 31st March, 2019, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualifying group entity.

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

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

6. LOSS FOR THE PERIOD

	Six months ended 30th September,	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	57,654	93,407
Depreciation of property, plant and equipment	7,452	12,096
Loss on disposal of property, plant and equipment, net (included in other income, gains and losses)	24	292
Net exchange loss (gain) (included in other income, gains and losses)	1,328	(1,131)
Bank interest income	(20)	(39)
Rental income from investment properties, with negligible outgoings	(2,933)	(3,965)
Government subsidies (included in other income, gains and losses) (Note)	(31,551)	-
	<u> </u>	<u> </u>

Note:

During the current interim period, the Group received cash subsidies of (1) HK\$6,320,000 from the Retail Sector Subsidy Scheme, (2) HK\$22,942,000 from the Employment Support Scheme under Anti-epidemic Fund granted by the Hong Kong Special Administrative Region ("SAR") Government and (3) MOP1,150,000 (equivalent to HK\$1,117,000) from 10-Billion-Pataca Fund granted by Macau SAR Government.

The remaining subsidies of HK\$1,172,000 were granted from other subsidy schemes launched by the Hong Kong SAR Government and the PRC Government. The Group has complied all attached conditions and recognised the subsidies in the profit or loss in the current interim period.



7. DIVIDENDS

Six months ended 30th September,	
2020	2019
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Dividends recognised as distribution during the period:

2020 final dividend: nil (2019: HK0.1 cent per share)	-	2,518
	<u> </u>	<u> </u>

The board of directors did not recommend the payment of any interim dividend in respect of the financial year ending 31st March, 2021 (2020: nil).

8. LOSS PER SHARE

Six months ended 30th September,	
2020	2019
(Unaudited)	(Unaudited)

Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>HK\$(91,388,000)</u>	<u>HK\$(112,273,000)</u>
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Number of shares: Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,518,001,334</u>	<u>2,518,001,334</u>
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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 since their assumed exercise would result in a decrease in loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of HK\$3,683,000 (six months ended 30th September, 2019: HK\$3,006,000).

10. RIGHT-OF-USE ASSETS

During the current interim period, depreciation of right-of-use assets of HK\$57,654,000 (2019: HK\$93,407,000) was included in the loss for the period. Additions to right-of-use assets for the current interim period was HK\$25,860,000.

Giving the potential adverse impact on the performance of the Group's retail stores as a result of COVID-19 epidemic, the management performed impairment assessment for all the retail stores in Hong Kong and Macau and recognised impairment loss of HK\$23,920,000 related to right-of-use assets for the current interim period (2019: HK\$5,140,000).

11. TRADE AND OTHER RECEIVABLES

At 30th September, 2020, included in the Group's trade and other receivables were trade receivables of HK\$20,059,000 (31st March, 2020: HK\$10,100,000). 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:

	30th September, 2020 (Unaudited) HK\$'000	31st March, 2020 (Audited) HK\$'000
Within 30 days	10,112	3,150
31 – 60 days	6,972	973
61 – 90 days	95	3,001
91 – 120 days	94	204
Over 120 days	2,786	2,772
	<hr/> 20,059 <hr/>	<hr/> 10,100 <hr/>



12. TRADE AND OTHER PAYABLES

At 30th September, 2020, included in the Group's trade and other payables were trade payables of HK\$13,054,000 (31st March, 2020: HK\$20,257,000). Details of the aged analysis of trade payables presented based on the invoice date at the end of the reporting period are as follows:

	30th September, 2020 (Unaudited) HK\$'000	31st March, 2020 (Audited) HK\$'000
Within 30 days	7,983	8,454
31 – 60 days	2,989	6,800
61 – 90 days	636	3,178
Over 90 days	<u>1,446</u>	<u>1,825</u>
	<u>13,054</u>	<u>20,257</u>

13. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Ordinary shares at HK\$0.01 each		
Authorised:		
At 1st April, 2019, 31st March, 2020 and 30th September, 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st April, 2019, 31st March, 2020 and 30th September, 2020	<u>2,518,001,334</u>	<u>25,180</u>

14. 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:

	30th September, 2020 (Unaudited) HK\$'000	31st March, 2020 (Audited) HK\$'000
Investment properties	292,036	306,113
Leasehold land and buildings	127,063	129,353
Right-of-use assets	3,970	3,894
	423,069	439,360

15. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30th September, 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short-term benefits	2,046	2,320
Post-employment benefits	49	51
Share-based payments	4	10
	2,099	2,381

The remuneration of directors and key executives is recommended to the Board by the remuneration committee having regard to the performance of individuals and market trends.

16. EVENT AFTER THE REPORTING PERIOD

On 1st October, 2020, leasehold land and buildings with carrying value of HK\$38,229,000 were transferred to investment properties.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th September, 2020, the Group recorded a turnover of HK\$229,091,000 (2019: HK\$601,843,000), representing a decrease of 61.9% as compared with the corresponding period last year. Included in the amount of turnover, HK\$154,858,000 (2019: HK\$493,295,000) was generated by the cosmetics business, representing a decrease of 68.6% as compared with the same period last year and accounting for 67.6% of the Group's total turnover (2019: 82.0%). The turnover of the fashion business amounted to HK\$74,233,000 (2019: HK\$108,548,000), representing a 31.6% decrease as compared with the same period last year. During the period under review, the global outbreak of the novel coronavirus (the "Pandemic") affected the operations of retail stores, and the number of travellers dropped significantly due to the immigration control and quarantine measures imposed by governments around the world. Local sales were also weak due to social distancing measures, which led to decreases in the turnover of both the cosmetics and fashion business segments of the Group. During the period under review, the Group recorded a loss of HK\$91,388,000 (2019: loss of HK\$112,273,000), representing a decrease of 18.6% as compared with the same period last year. During the period under review, the fashion business recorded a segment loss of HK\$10,268,000 (2019: loss of HK\$24,036,000), and the cosmetics business recorded a segment loss of HK\$58,114,000 (2019: loss of HK\$60,075,000), which included the impairment of right-of-use assets related to the Group's loss-making retail stores in the amount of HK\$23,920,000 (2019: HK\$5,140,000). In addition, the loss for the period also included a decrease in the fair value of investment properties of HK\$16,003,000 (2019: decrease of HK\$18,151,000). Had the effect of the above non-cash impairment been excluded, loss for the period would have amounted to approximately HK\$51,465,000 (2019: loss of HK\$88,982,000). Besides, during the period under review, the Group recognised an amount of HK\$31,551,000 in the statement of profit or loss in respect of government anti-epidemic allowances and subsidies.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Cosmetics Business

As at 30th September, 2020, the Group had 72 **Colourmix** and **MORIMOR** cosmetics stores (30th September, 2019: 80 stores) in total, with 66 stores located in Hong Kong and 6 stores located in Macau respectively. The outbreak of the Pandemic in early 2020 affected inbound tourism in Hong Kong and Macau, which put downward pressure on consumption sentiments. The retail industry bore the brunt and the operations of the Group's several cosmetics stores at the border gateways have been temporarily suspended. During the period under review, the turnover of the Group's cosmetics business was HK\$154,858,000 (2019: HK\$493,295,000), representing a decrease of 68.6% as compared with the same period last year, and the cosmetics business recorded a segment loss of HK\$58,114,000 (2019: loss of HK\$60,075,000). During the period under review, the Group recognised impairment of right-of-use assets related to the loss-making cosmetics stores in the amount of HK\$19,294,000 (2019: HK\$5,140,000). Had the effect of the above non-cash impairment been excluded, the loss of the cosmetics business for the period would have amounted to approximately HK\$38,820,000 (2019: loss of HK\$54,935,000).

Fashion Business

As at 30th September, 2020, the Group had 79 fashion stores (30th September, 2019: 81 stores) under the brands **Veeko** and **Wanko**, with 59 stores located in Hong Kong, 15 stores located in Mainland China and 5 stores located in Macau respectively. During the period under review, the turnover of the Group's fashion business was HK\$74,233,000 (2019: HK\$108,548,000), representing a decrease of 31.6% as compared with the same period last year. The segment result of the fashion business recorded a loss of HK\$10,268,000 (2019: loss of HK\$24,036,000). During the period under review, the Group recognised impairment of right-of-use assets related to the loss-making fashion stores in the amount of HK\$3,996,000 (2019: nil). Had the effect of the above non-cash impairment been excluded, the loss of the fashion business for the period would have amounted to approximately HK\$6,272,000 (2019: loss of HK\$24,036,000).



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 all feasible effective measures to limit the adverse impact of the rapid spread of the virus on people and activities. In the face of an exceptionally difficult operating environment, the management has immediately taken a number of contingency measures to reduce costs in order to preserve working capital, including proactively lowering inventory levels, stringently controlling costs and expenditures, as well as negotiating with landlords for rent concessions for most retail stores. In addition, among the 137 Hong Kong and Macau retail stores as at 31st March, 2020, the leases of more than half of the stores will expire within the financial year 2020/2021. The Group will have more bargaining power to renegotiate with the landlords in relation to the leases when they expire during the year. The Group will thus be able to renew its leases on a short-term basis with a greater reduction in rent, or close down certain loss-making retail stores where the reduction in rent is not satisfactory. This will help to reduce losses and strengthen the Group's liquidity position.

As the production resources of the Group's fashion business are concentrated in its self-owned plant in China, the Group is able to control costs with flexibility. In face of the tough operating environment, the Group has immediately arranged for a reduction in production, proactively lowered inventory levels and maintained cash flows, and at the same time leased out some of the floors in its self-owned plant to earn rental income. Unlike the cosmetics business, the customers of the fashion business are primarily local consumers. Therefore, our fashion business was less affected by the drop in the number of visitors caused by the Pandemic than the cosmetics business and it also recovered more quickly. In fact, the sales of the fashion business dropped less during the period under review, so its loss amount was also less than that of the cosmetics business. In view of this, the Group has progressively transformed some of its cosmetics retail stores into fashion stores since March 2020. During the period under review, 6 stores have been converted from cosmetics retail to fashion retail and this strategy has proven to be successful so far.

PROSPECTS (Continued)

Looking ahead, in view of the unsettled Pandemic situation, it is expected that the retail market will remain predominantly a local consumption market in 2020/2021 and the number of inbound visitors to Hong Kong is unlikely to recover in the short term. In the future, apart from the traditional physical retail stores, the Group will also continue to actively promote the growth of its cosmetics business, enhance the brand's popularity, expand its customer base and increase turnover through various e-commerce platforms. The cash that the Group currently has on hand, together with available banking facilities, is sufficient to meet current business needs. Furthermore, while the Group is principally engaged in cosmetics and fashion retailing, it also holds investment and owner-occupied properties at the same time. These properties were valued by Jones Lang LaSalle Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers, at approximately HK\$677,033,000 in total as at 30th September, 2020, which serve as financial support for the Group. The Group has been and will continue to be prudent in managing its financial and cash position. Despite 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 negotiate with landlords for rent concessions, proactively lowering inventory levels, and stringently controlling costs and expenditures, so as to meet the challenges ahead.

LIQUIDITY & FINANCIAL RESOURCES

At the end of the reporting period, the Group's cash and bank balances (mainly in Hong Kong Dollar and Renminbi) amounted to HK\$45,008,000 (31st March, 2020: HK\$26,476,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$426,240,000 (31st March, 2020: HK\$420,059,000).

At the end of the reporting period, the current ratio was 0.66 (31st March, 2020: 0.72) and the gearing ratio of the Group was 1.59 (31st March, 2020: 1.19) which was calculated based on the Group's total borrowings of HK\$426,240,000 (31st March, 2020: HK\$420,059,000) and the total equity of HK\$267,334,000 (31st March, 2020: HK\$354,364,000).

At 30th September, 2020, the Group had banking facilities amounting to HK\$509,908,000 (31st March, 2020: HK\$515,014,000), of which HK\$434,152,000 (31st March, 2020: HK\$428,624,000) 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\$423,069,000 (31st March, 2020: HK\$439,360,000).

CONTINGENT LIABILITIES

At 30th September, 2020, the Company had provided guarantees of HK\$733,059,000 (31st March, 2020: HK\$729,582,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF AND REMUNERATION POLICIES

At 30th September, 2020, the Group had approximately 1,300 employees (31st March, 2020: approximately 1,300). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual 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, 2020:

Date of grant	Vesting period	Exercisable period	Exercise price per share	Balance at 1.4.2020	Cancelled during the period	Outstanding at 30.9.2020
7th October, 2013	7th October, 2013 to 6th October, 2018	7th October, 2018 to 6th October, 2020	HK\$0.2250	12,160,000	(500,000)	11,660,000
25th April, 2014	25th April, 2014 to 24th April, 2019	25th April, 2019 to 24th April, 2021	HK\$0.3000	1,920,000	(300,000)	1,620,000
9th January, 2017	9th January, 2017 to 8th January, 2020	9th January, 2020 to 8th January, 2022	HK\$0.1832	2,500,000	–	2,500,000
9th January, 2017	9th January, 2017 to 8th January, 2022	9th January, 2022 to 8th January, 2024	HK\$0.1832	2,500,000	–	2,500,000
				19,080,000	(800,000)	18,280,000
				19,080,000	(800,000)	18,280,000



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

As at 30th September, 2020, 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 and Beneficiary of Trust	1,393,347,737 (Note)	
	Beneficial owner	<u>185,219,227</u>	
		<u><u>1,578,566,964</u></u>	<u><u>62.69%</u></u>
Ms. Lam Yuk Sum (Chief Executive Officer)	Beneficiary of Trust	1,393,347,737 (Note)	
	Beneficial owner	<u>272,916,013</u>	
		<u><u>1,666,263,750</u></u>	<u><u>66.17%</u></u>

Note: These 1,393,347,737 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 AND SHORT POSITIONS 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, 2020, 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 OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Other than disclosed above under the section headed "Directors' and Chief Executive Officer's Interests and Short Positions in Shares, Underlying Shares and Debentures" and other substantial shareholders' interests disclosed in the following table, at 30th September, 2020, 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.

Name of shareholder	Capacity/ Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Silver Crown	Beneficial owner	1,393,347,737	55.34%
Well Feel Group Limited ("Well Feel")	Interest of a controlled corporation (Note)	1,393,347,737	55.34%
HSBC International Trustee Limited ("HSBC International")	Trustee (Note)	1,393,347,737	55.34%

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, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board is of the view that, 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, 2020.

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, 2020.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2020 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, 27th November, 2020

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終極駐顏抗氧
金蔘延活緊緻瑩潤

瑩肌駐顏系列



Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

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