

# 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 代言人



Kayan Yau 游嘉欣  
Veeko Image Girl 代言人



## 2022/2023 Interim Report 中期報告書

For the six months ended 30th September, 2022 截至二零二二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

colourmix

MORIMOR



# 激活青春能量 突破DNA修護極限



DNA Cellular Smart  
基因活膚系列

## 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

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
27th Floor, One Taikoo Place  
979 King's Road  
Quarry Bay, 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  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

#### Principal Bankers

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

#### Website Addresses

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

	Notes	Six months ended 30th September,	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) 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)
Loss before tax		(639)	(21,687)
Income tax expense	4	(479)	(633)
Loss for the period	5	(1,118)	(22,320)
<b>Other comprehensive (loss)/income for the period</b>			
<i>Item that will not be reclassified subsequently 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 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
<b>Total comprehensive loss for the period</b>		<b>(7,987)</b>	<b>(14,560)</b>
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) HK\$'000	31st March, 2022 (Audited) HK\$'000
	Notes	
<b>Non-current Assets</b>		
Investment properties	449,812	447,692
Property, plant and equipment	8 37,791	43,501
Right-of-use assets	9 78,783	70,426
Rental deposits paid	8,192	7,949
<b>Total Non-current Assets</b>	<b>574,578</b>	569,568
<b>Current Assets</b>		
Inventories	108,854	124,945
Trade receivables	10 3,720	2,475
Prepayment 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
<b>Total Current Assets</b>	<b>165,385</b>	189,882
<b>Current Liabilities</b>		
Trade payables	11 7,271	9,511
Other payables and accruals	42,288	51,361
Rental deposits received	1,403	521
Interest-bearing bank borrowings	12 360,991	375,505
Lease liabilities	69,659	72,819
Provision	654	593
Tax payable	284	301
<b>Total Current Liabilities</b>	<b>482,550</b>	510,611
<b>Net Current Liabilities</b>	<b>(317,165)</b>	(320,729)
<b>Total Assets Less Current Liabilities</b>	<b>257,413</b>	248,839

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

At 30th September, 2022

		<b>30th September, 2022 (Unaudited) HK\$'000</b>	31st March, 2022 (Audited) HK\$'000
	<i>Notes</i>		
Non-current Liabilities			
Other payables	15(b)	22,395	2,388
Rental deposits received		1,329	1,972
Deferred tax liabilities		16,634	15,810
Lease liabilities		<u>25,544</u>	<u>29,258</u>
Total Non-current Liabilities		<u>65,902</u>	<u>49,428</u>
Net Assets		<u><b>191,511</b></u>	<u>199,411</u>
Equity			
Share capital	13	25,180	25,180
Reserves		<u>166,331</u>	<u>174,231</u>
Total Equity		<u><b>191,511</b></u>	<u>199,411</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2022

	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Statutory reserves HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2022	25,180	223,654	87,155	8,675	1,668	4,028	291	(151,240)	199,411
Loss for the period	-	-	-	-	-	-	-	(1,118)	(1,118)
Other comprehensive income/ (loss) for the period	-	-	5,843	(12,712)	-	-	-	-	(6,869)
Total comprehensive loss for the period	-	-	5,843	(12,712)	-	-	-	(1,118)	(7,987)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	87	-	87
Share options lapsed	-	-	-	-	-	-	(9)	9	-
At 30th September, 2022 (unaudited)	25,180	223,654	92,998	(4,037)	1,668	4,028	369	(152,349)	191,511
At 1st April, 2021	25,180	223,654	35,593	4,031	1,668	24	383	(94,117)	196,416
Loss for the period	-	-	-	-	-	-	-	(22,320)	(22,320)
Other comprehensive income for the period	-	-	6,182	1,578	-	-	-	-	7,760
Total comprehensive loss for the period	-	-	6,182	1,578	-	-	-	(22,320)	(14,560)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	77	-	77
Share options lapsed	-	-	-	-	-	-	(144)	144	-
At 30th September, 2021 (unaudited)	25,180	223,654	41,775	5,609	1,668	24	316	(116,293)	181,933

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2022

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash from operating activities	45,680	56,166
Net cash used in investing activities	(746)	(474)
Net cash used in financing activities	(45,066)	(65,754)
Net decrease in cash and cash equivalents	(132)	(10,062)
Cash and cash equivalents at 1st April	10,259	47,114
Effect of foreign exchange rate changes	(382)	787
Cash and cash equivalents at 30th September		
Represented by bank balances, deposits and cash	<b>9,745</b>	<b>37,839</b>

## 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.

**1. BASIS OF PREPARATION** *(Continued)*

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>
Annual Improvements to HKFRSs 2018-2020	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 HK\$'000	Fashion HK\$'000	Total HK\$'000
<b>Types of goods</b>			
Sale of cosmetics	141,623	-	141,623
Manufacture and sale of ladies fashion	-	76,243	76,243
	<u>141,623</u>	<u>76,243</u>	<u>217,866</u>
<b>Total</b>	<b><u>141,623</u></b>	<b><u>76,243</u></b>	<b><u>217,866</u></b>
<b>Timing of revenue recognition</b>			
At point in time	141,623	76,243	217,866
	<u>141,623</u>	<u>76,243</u>	<u>217,866</u>
<b>Geographical markets</b>			
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
	<u>141,623</u>	<u>76,243</u>	<u>217,866</u>
<b>Total</b>	<b><u>141,623</u></b>	<b><u>76,243</u></b>	<b><u>217,866</u></b>

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30th September, 2021

Disaggregation of revenue from contracts with customers

	Cosmetics HK\$'000	Fashion HK\$'000	Total HK\$'000
<b>Types of goods</b>			
Sale of cosmetics	184,562	-	184,562
Manufacture and sale of ladies fashion	-	79,906	79,906
	<u>184,562</u>	<u>79,906</u>	<u>264,468</u>
<b>Total</b>	<b><u>184,562</u></b>	<b><u>79,906</u></b>	<b><u>264,468</u></b>
<b>Timing of revenue recognition</b>			
At point in time	184,562	79,906	264,468
	<u>184,562</u>	<u>79,906</u>	<u>264,468</u>
<b>Geographical markets</b>			
Hong Kong and Macau	184,562	75,919	260,481
Other regions of the PRC	-	3,987	3,987
	<u>184,562</u>	<u>79,906</u>	<u>264,468</u>
<b>Total</b>	<b><u>184,562</u></b>	<b><u>79,906</u></b>	<b><u>264,468</u></b>

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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

**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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating Segments (Continued)

Segment Revenue and Results

	Unaudited six months ended 30th September, 2022				
	Cosmetics	Fashion	Segment 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>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating Segments (Continued)

Segment Revenue and Results (Continued)

	Unaudited six months ended 30th September, 2021				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated 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>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating Segments (Continued)

Other Segment Information

	Unaudited six months ended 30th September, 2022				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
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	1,136	87	1,223	-	1,223

	Unaudited six months ended 30th September, 2021				
	Cosmetics HK\$'000	Fashion HK\$'000	Segment total HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
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	3,664	168	3,832	-	3,832

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
	479	633

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)
	<u>                    </u>	<u>                    </u>

*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. PROPERTY, PLANT AND EQUIPMENT**

During the current interim period, the Group acquired property, plant and equipment of HK\$768,000 (2021: HK\$653,000). Leasehold land and buildings with a carrying amount of HK\$2,103,000 (2021: HK\$1,673,000) was transferred to investment properties resulting in a gain on revaluation of properties of HK\$1,569,000 (2021: HK\$1,812,000), net of the deferred tax charge of HK\$392,000 (2021: HK\$453,000) was recognised in other comprehensive income.

**9. RIGHT-OF-USE ASSETS**

During the current interim period, depreciation of right-of-use assets of HK\$33,430,000 (2021: HK\$31,184,000) was included in the loss for the period. Additions (including adjustments arising from lease modification) to right-of-use assets for the current interim period was HK\$44,070,000 (2021: HK\$37,381,000). The land use rights include in right-of-use assets with a carrying amount of HK\$362,000 (2021: HK\$409,000) was transferred to investment properties resulting in a gain on revaluation of right-of-use assets of HK\$6,221,000 (2021: HK\$6,431,000), net of the deferred tax charge of HK\$1,555,000 (2021: HK\$1,608,000) was recognised in other comprehensive income.

Impairment loss of HK\$1,339,000 related to right-of-use assets was recognised for the current interim period (2021: HK\$1,525,000).

**10. 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
	<hr/>	<hr/>
	<b>3,720</b>	<b>2,475</b>
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**11. 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:

	<b>30th September, 2022 (Unaudited) HK\$'000</b>	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>

**12. INTEREST-BEARING BANK BORROWINGS**

	<b>30th September, 2022 (Unaudited) HK\$'000</b>	31st March, 2022 (Audited) HK\$'000
Bank overdraft	12,911	3,619
Bank loans	326,326	330,038
Import loans	21,754	41,848
	<u>360,991</u>	<u>375,505</u>

13. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Ordinary shares at HK\$0.01 each		
Authorised:		
At 1st April, 2021, 31st March, 2022 and 30th September, 2022	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st April, 2021, 31st March, 2022 and 30th September, 2022	<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, 2022 (Unaudited) HK\$'000	31st March, 2022 (Audited) HK\$'000
Investment properties	449,812	447,692
Leasehold land and buildings	33,765	38,355
Right-of-use assets	<u>2,583</u>	<u>3,337</u>
	<u>486,160</u>	<u>489,384</u>

15. RELATED PARTY DISCLOSURES

(a) The Group had the following transactions with related parties:

	Six months ended 30th September,	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Expenses relating to short-term leases to an entity controlled by a director of the Company	658	800
Interest paid to a director	59	-
	<u>658</u>	<u>-</u>

(b) **Outstanding balances with a related party**

Included in non-current portion of other payables, 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.

(c) **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,	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	2,654	2,248
Post-employment benefits	60	53
Share-based payments	34	12
	<u>2,748</u>	<u>2,313</u>

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

## 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.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Fashion Business

As at 30th September, 2022, the Group had a total of 73 ladies fashion 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.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***PROSPECTS** *(Continued)*

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### PROSPECTS (Continued)

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.

### MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

#### 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.

## 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, 2022:

Date of grant	Vesting period	Exercise period	Exercise price per share	Balance at 1.4.2022	Lapsed during the period	Outstanding at 30.9.2022
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
29th January, 2021	29th January, 2021 to 28th January, 2024	29th January, 2024 to 28th January, 2026	HK\$0.0534	18,000,000	(1,000,000)	17,000,000
29th January, 2021	29th January, 2021 to 28th January, 2026	29th January, 2026 to 28th January, 2028	HK\$0.0534	18,000,000	(1,000,000)	17,000,000
16th February, 2022	16th February, 2022 to 15th February, 2025	16th February, 2025 to 15th February, 2027	HK\$0.0506	5,150,000	-	5,150,000
16th February, 2022	16th February, 2022 to 15th February, 2027	16th February, 2027 to 15th February, 2029	HK\$0.0506	5,150,000	-	5,150,000
				48,800,000	(2,000,000)	46,800,000
				48,800,000	(2,000,000)	46,800,000

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

As at 30th September, 2022, 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>1,578,566,964</u>	<u>62.69%</u>
Ms. Lam Yuk Sum (Chief Executive Officer)	Beneficiary of Trust	1,393,347,737 (Note)	
	Beneficial owner	<u>272,916,013</u>	
		<u>1,666,263,750</u>	<u>66.17%</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, 2022, 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, 2022, 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, 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 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

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