

# 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 代售人



Kayan Yau 游嘉欣  
Veeko Image Girl 代售人



## 2021/2022 Interim Report 中期報告書

For the six months ended 30th September, 2021 截至二零二一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



豐盈補濕循環

強化肌底水分根基



極致水凝補濕系列

## 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  
(appointed on 9th November, 2021)

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Registered Public Interest Entity Auditors  
35th Floor, One Pacific Place  
88 Queensway, Hong Kong  
(resigned on 9th November, 2021)

### 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 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](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, 2021. The results, together with the comparative figures for the corresponding period in 2020, are summarised below:

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

For the six months ended 30th September, 2021

	Notes	Six months ended 30th September,	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	4	264,468	229,091
Cost of goods sold		(158,100)	(135,570)
Gross profit		106,368	93,521
Selling and distribution costs		(98,410)	(132,763)
Administrative expenses		(38,648)	(38,934)
Other income, gains and losses		10,340	36,736
Increase (decrease) in fair value of investment properties		5,665	(16,003)
Impairment of right-of-use assets		(1,525)	(23,920)
Finance costs		(5,477)	(8,937)
Loss before tax		(21,687)	(90,300)
Income tax expense	5	(633)	(1,088)
Loss for the period	6	(22,320)	(91,388)
<b>Other comprehensive income for the period</b>			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of properties		6,182	-
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		1,578	4,345
Other comprehensive income for the period		7,760	4,345
<b>Total comprehensive expense for the period</b>		<b>(14,560)</b>	<b>(87,043)</b>
Loss per share	8		
Basic and diluted		HK(0.886) cent	HK(3.629) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2021

		30th September, 2021 (Unaudited) HK\$'000	31st March, 2021 (Audited) HK\$'000
	Notes		
<b>Non-current Assets</b>			
Investment properties		355,007	338,349
Property, plant and equipment	9	90,594	95,889
Right-of-use assets	10	62,363	58,046
Rental deposits paid		14,514	16,991
		<u>522,478</u>	<u>509,275</u>
<b>Current Assets</b>			
Inventories		160,507	195,156
Trade and other receivables	11	13,553	16,976
Rental and utility deposits paid		42,942	43,381
Tax recoverable		137	123
Bank balances, deposits and cash		37,839	47,114
		<u>254,978</u>	<u>302,750</u>
<b>Current Liabilities</b>			
Trade and other payables	12	59,717	52,736
Rental deposits received		56	124
Secured bank borrowings		392,068	389,494
Lease liabilities		96,220	114,939
Provision		1,209	1,209
Tax payable		270	270
		<u>549,540</u>	<u>558,772</u>
Net Current Liabilities		<u>(294,562)</u>	<u>(256,022)</u>
		<u>227,916</u>	<u>253,253</u>



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

At 30th September, 2021

	30th September, 2021 (Unaudited) <i>HK\$'000</i>	31st March, 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>	
Capital and Reserves		
Share capital	13	25,180
Reserves		25,180
		<u>171,236</u>
		<u>181,933</u>
Non-current Liabilities		
Other payables		2,815
Rental deposits received		2,542
Deferred tax liabilities		1,560
Lease liabilities		1,194
		<u>15,103</u>
		<u>26,505</u>
		<u>45,983</u>
		<u>56,837</u>
		<u>227,916</u>
		<u>253,253</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2021

	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	Retained profits (accumulated loss) HK\$'000	Total HK\$'000
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 income (expense) 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
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 lapsed	-	-	-	-	-	-	(60)	60	-
At 30th September, 2020 (unaudited)	25,180	223,654	17,971	(877)	2,266	24	1,106	(1,990)	267,334



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2021

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash from operating activities	56,166	95,177
Net cash used in investing activities	(474)	(4,032)
Net cash used in financing activities	<u>(65,754)</u>	<u>(72,922)</u>
Net (decrease) increase in cash and cash equivalents	(10,062)	18,223
Cash and cash equivalents at 1st April	47,114	26,476
Effect of foreign exchange rate changes	<u>787</u>	<u>309</u>
Cash and cash equivalents at 30th September		
Represented by bank balances, deposits and cash	<u><u>37,839</u></u>	<u><u>45,008</u></u>



## 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\$22,320,000 during the period ended 30th September, 2021 and net current liabilities position of HK\$294,562,000 as at 30th September, 2021, 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 banking 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, working capital needs and, the continuing renewal of the banking facilities. The management’s assessment included consideration of potential downside risk factors, working capital sensitivities and have identified mitigating actions that could be taken to further reduce cash expenditure or increase banking facilities if necessary.

The directors of the Company consider that, after taking into account the cash and cash equivalents, existing banking facilities and cash flows to be generated from operations, that the Group will have sufficient funds to meet its financial obligations for at least the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, these 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, 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2021.



### 3. APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied 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, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30th June, 2021

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.

### 4. REVENUE AND SEGMENT INFORMATION

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
Total	<u>184,562</u>	<u>79,906</u>	<u>264,468</u>
<b>Timing of revenue recognition</b>			
A point in time	<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 People's Republic of China (the "PRC")	-	3,987	3,987
Total	<u>184,562</u>	<u>79,906</u>	<u>264,468</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30th September, 2020

Disaggregation of revenue from contracts with customers

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

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.



4. 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'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, 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>	-	<u>(23,064)</u>
Increase in fair value of investment properties					5,665
Other income, gains and losses					3,024
Central administration costs					(3,416)
Finance costs					<u>(3,896)</u>
Loss before tax					<u>(21,687)</u>

4. REVENUE AND SEGMENT INFORMATION (Continued)

Operating Segments (Continued)

Segment Revenue and Results (Continued)

	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					<u>(5,554)</u>
Loss before tax					<u>(90,300)</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 change 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.

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



4. REVENUE AND SEGMENT INFORMATION (Continued)

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, 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	<u>3,664</u>	<u>168</u>	<u>3,832</u>	<u>-</u>	<u>3,832</u>

	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 of right-of-use assets	19,924	3,996	23,920	-	23,920
Scrap, shrinkage and other provision for inventories	<u>3,487</u>	<u>148</u>	<u>3,635</u>	<u>-</u>	<u>3,635</u>

5. INCOME TAX EXPENSE

	Six months ended 30th September,	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
The charge comprises:		
Profits tax		
Hong Kong	218	306
Other jurisdictions	218	26
Deferred tax	197	756
	633	1,088

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 will continue to be 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%.



6. LOSS FOR THE PERIOD

	Six months ended 30th September,	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	31,184	57,654
Depreciation of property, plant and equipment	4,515	7,452
(Gain) loss on disposal of property, plant and equipment, net	(15)	24
Net exchange loss	889	1,328
Bank interest income	(18)	(20)
Rental income from investment properties, with negligible outgoings	(3,005)	(2,933)
Government grants	-	(31,551)
Gain for the change in lease modification	(6,806)	(1,868)
	<u><u>          </u></u>	<u><u>          </u></u>



7. **DIVIDENDS**

The board of directors did not recommend the payment of any interim dividend in respect of the financial year ending 31st March, 2022 (2021: nil).

8. **LOSS PER SHARE**

	Six months ended 30th September,	
	2021 (Unaudited)	2020 (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>HK\$(22,320,000)</b>	HK\$(91,388,000)
Number of shares: Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>2,518,001,334</b>	2,518,001,334

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\$653,000 (2020: HK\$3,683,000). Leasehold land and buildings with a carrying amount of HK\$1,673,000 (2020: nil) was transferred to investment properties resulting in a gain on revaluation of properties of HK\$1,812,000 (2020: nil), net of the deferred tax charge of HK\$453,000 (2020: nil) was recognised in other comprehensive income.



### 10. RIGHT-OF-USE ASSETS

During the current interim period, depreciation of right-of-use assets of HK\$31,184,000 (2020: HK\$57,654,000) was included in the loss for the period. Additions to right-of-use assets for the current interim period was HK\$11,919,000 (2020: HK\$25,860,000). The land use rights include in right-of-use assets with a carrying amount of HK\$409,000 (2020: nil) was transferred to investment properties resulting in a gain on revaluation of right-of-use assets of HK\$6,431,000 (2020: nil), net of the deferred tax charge of HK\$1,608,000 (2020: nil) was recognised in other comprehensive income.

Impairment loss of HK\$1,525,000 related to right-of-use assets was recognised for the current interim period (2020: HK\$23,920,000).

### 11. TRADE AND OTHER RECEIVABLES

At 30th September, 2021, included in the Group's trade and other receivables were trade receivables of HK\$4,756,000 (31st March, 2021: HK\$5,406,000). 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, 2021 (Unaudited) HK\$'000	31st March, 2021 (Audited) HK\$'000
Within 30 days	3,924	3,223
31 – 60 days	131	85
61 – 90 days	42	727
91 – 120 days	49	347
Over 120 days	610	1,024
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	<b>4,756</b>	<b>5,406</b>
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**12. TRADE AND OTHER PAYABLES**

At 30th September, 2021, included in the Group's trade and other payables were trade payables of HK\$12,428,000 (31st March, 2021: HK\$7,866,000). 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, 2021 (Unaudited) HK\$'000</b>	31st March, 2021 (Audited) HK\$'000
Within 30 days	8,254	2,421
31 - 60 days	1,469	2,682
61 - 90 days	1,184	632
Over 90 days	1,521	2,131
	<u>12,428</u>	<u>7,866</u>

**13. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Value HK\$'000</b>
Ordinary shares at HK\$0.01 each		
Authorised:		
At 1st April, 2020, 31st March, 2021 and 30th September, 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st April, 2020, 31st March, 2021 and 30th September, 2021	<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, 2021 (Unaudited) HK\$'000	31st March, 2021 (Audited) HK\$'000
Investment properties	355,007	338,349
Leasehold land and buildings	83,656	87,178
Right-of-use assets	3,476	3,912
	<u>442,139</u>	<u>429,439</u>

**15. RELATED PARTY DISCLOSURES**

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

	Six months ended 30th September, 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Expenses relating to short-term leases to an entity controlled by a director of the Company	800	1,133
	<u>800</u>	<u>1,133</u>

15. RELATED PARTY DISCLOSURES (Continued)

(b) 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,	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short-term benefits	2,248	2,046
Post-employment benefits	53	49
Share-based payments	12	4
	2,313	2,099
	2,313	2,099

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.

16. EVENT AFTER THE REPORTING PERIOD

On 4th November, 2021, the Group entered into a lease agreement with an independent third party to lease out leasehold land and building with carrying amount of HK\$35,980,000 as at 30th September, 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30th September, 2021, the Group recorded a turnover of HK\$264,468,000 (2020: HK\$229,091,000), representing an increase of 15.4% as compared with the same period last year. Included in the amount of turnover, HK\$184,562,000 (2020: HK\$154,858,000) was generated by the cosmetics business, representing an increase of 19.2% as compared with the same period last year and accounting for 69.8% of the Group's total turnover (2020: 67.6%). The turnover of the fashion business amounted to HK\$79,906,000 (2020: HK\$74,233,000), representing a 7.6% increase as compared with the same period last year. During the period under review, retail store operations continued to be affected by the global outbreak of the epidemic of COVID-19 (the "Pandemic"). The slow recovery in local sales pushed up the turnover of the Group's cosmetics and fashion segments. During the period under review, the Group recorded a loss of HK\$22,320,000 (2020: loss of HK\$91,388,000), representing a decrease of 75.6% as compared with the same period last year. The loss recorded by the Group in the same period last year included the allowances and subsidies totalling approximately HK\$31,551,000 received from governments in relation to the Pandemic while the Group did not receive any such allowances or subsidies during the period under review. The fashion business recorded a segment loss of HK\$4,795,000 (2020: loss of HK\$10,268,000), and the cosmetics business recorded a segment loss of HK\$18,269,000 (2020: loss of HK\$58,114,000), which included the impairment of right-of-use assets related to the Group's loss-making retail stores of HK\$1,525,000 (2020: HK\$23,920,000). In addition, the loss for the period also included an increase in the fair value of investment properties of HK\$5,665,000 (2020: decrease of HK\$16,003,000). Excluding the effect of the said non-cash impairment, loss for the period would have amounted to approximately HK\$26,460,000 (2020: loss of HK\$51,465,000).

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Cosmetics Business

As at 30th September, 2021, the Group had 64 *Colourmix* and *MORIMOR* cosmetics stores (30th September, 2020: 72 stores) in total, of which 58 stores were located in Hong Kong and 6 stores were located in Macau. During the period under review, the cosmetics business of the Group was mainly supported by local consumption. The operations of certain cosmetics stores at the border gateways were suspended. During the period under review, the turnover of the Group's cosmetics business amounted to HK\$184,562,000 (2020: HK\$154,858,000), representing an increase of 19.2% as compared with the same period last year. The cosmetics business recorded a segment loss of HK\$18,269,000 (2020: a loss of HK\$58,114,000). During the period under review, the Group recognised impairment of right-of-use assets related to the loss-making cosmetics stores of HK\$1,233,000 (2020: HK\$19,924,000). Excluding the effect of the said non-cash impairment, the cosmetics business would have recorded a loss of approximately HK\$17,036,000 for the period (2020: a loss of HK\$38,190,000).

### Fashion Business

As at 30th September, 2021, the Group had a total of 83 ladies fashion stores (30th September, 2020: 79 stores) under the brands of *Veeko* and *Wanko*, with 63 stores located in Hong Kong, 5 stores located in Macau and 15 stores located in the PRC. During the period under review, the turnover of the Group's fashion business amounted to HK\$79,906,000 (2020: HK\$74,233,000), representing an increase of 7.6% as compared with the same period last year. The fashion business recorded a segment loss of HK\$4,795,000 (2020: a loss of HK\$10,268,000). During the period under review, the Group recognised impairment of right-of-use assets related to the loss-making fashion stores of HK\$292,000 (2020: HK\$3,996,000). Excluding the effect of the said non-cash impairment, the fashion business would have recorded a loss of approximately HK\$4,503,000 for the period (2020: a loss of HK\$6,272,000).



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### 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 and effective measures to safeguard our employees and customers. 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, negotiating with landlords for rent concessions, as well as closing down certain underperforming retail stores.

As the production resources of the Group's fashion business are concentrated in self-owned plant in China, we are able to control costs with flexibility. In face of the tough operating environment, the Group has 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 to earn rental income. During the period under review, the sales of the fashion business increased slightly, the gross profit margin also improved, and the amount of loss decreased compared with the same period last year.

Looking ahead, given the Pandemic continues, it is expected that the retail market will continue to be dominated by local consumption in year 2021/2022, and the number of visitors to Hong Kong will not recover in the short term. In addition to physical retail stores, the Group will continue to collaborate with well-known e-commerce platforms such as Tmall Global, Kaola.com, JD.com, WeChat Mini Programs, etc. The Group will focus on both online and offline businesses to drive the growth of the cosmetics and fashion businesses, enhance brand awareness and expand customer base.



## 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\$706,651,000 in aggregate as at 30th September, 2021. 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, 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\$37,839,000 (31st March, 2021: HK\$47,114,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) amounted to HK\$392,068,000 (31st March, 2021: HK\$389,494,000).

At the end of the reporting period, the current ratio was 0.46 (31st March, 2021: 0.54) and the gearing ratio of the Group was 2.16 (31st March, 2021: 1.98) which was calculated based on the Group's total borrowings of HK\$392,068,000 (31st March, 2021: HK\$389,494,000) and the total equity of HK\$181,933,000 (31st March, 2021: HK\$196,416,000).

At 30th September, 2021, the Group had banking facilities amounting to HK\$465,786,000 (31st March, 2021: HK\$479,571,000), of which HK\$403,289,000 (31st March, 2021: HK\$395,166,000) 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\$442,139,000 (31st March, 2021: HK\$429,439,000).

#### CONTINGENT LIABILITIES

At 30th September, 2021, the Company had provided guarantees of HK\$738,536,000 (31st March, 2021: HK\$737,388,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

#### STAFF AND REMUNERATION POLICIES

At 30th September, 2021, the Group had approximately 1,100 employees (31st March, 2021: approximately 1,100). The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual 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, 2021:

Date of grant	Vesting period	Exercise period	Exercise price per share	Balance at 14.2021	Lapsed during the period	Outstanding at 30.9.2021
25th April, 2014	25th April, 2014 to 24th April, 2019	25th April, 2019 to 24th April, 2021	HK\$0.3000	1,620,000	(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
29th January, 2021	29th January, 2021 to 28th January, 2024	29th January, 2024 to 28th January, 2026	HK\$0.0534	19,300,000	(1,050,000)	18,250,000
29th January, 2021	29th January, 2021 to 28th January, 2026	29th January, 2026 to 28th January, 2028	HK\$0.0534	19,300,000	(1,050,000)	18,250,000
				45,220,000	(3,720,000)	41,500,000
				45,220,000	(3,720,000)	41,500,000



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

As at 30th September, 2021, 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, 2021, 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, 2021, 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, 2021, 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, 2021.

## 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, 2021.

## AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2021 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, 25th November, 2021

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**VEEKO INTERNATIONAL HOLDINGS LIMITED**

**威高國際控股有限公司**

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