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## **VEEKO INTERNATIONAL HOLDINGS LIMITED**

**威高國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1173)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2023**

#### **ANNUAL RESULTS**

The board of directors (the “**Board**”) of Veeko International Holdings Limited (the “**Company**”) presented the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st March, 2023 (the “**Review Financial Year**”) together with the comparative figures for the previous corresponding year, as follows:

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

*For the year ended 31st March, 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	<b>472,625</b>	499,849
Cost of goods sold		<b>(242,862)</b>	(303,633)
Gross profit		<b>229,763</b>	196,216
Other income and gains, net	4	<b>39,604</b>	27,074
Selling and distribution costs		<b>(189,524)</b>	(190,285)
Administrative expenses		<b>(73,006)</b>	(78,077)
Change in fair value of investment properties, net		<b>19,881</b>	6,096
Reversal/(provision) of expected credit loss for trade receivables		<b>(128)</b>	2,000

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Impairment of property, plant and equipment		<b>(156)</b>	(308)
Impairment of right-of-use assets		<b>(3,089)</b>	(4,465)
Finance costs		<u><b>(17,236)</b></u>	<u>(10,682)</u>
Profit/(loss) before tax	6	<b>6,109</b>	(52,431)
Income tax expense	5	<u><b>(1,082)</b></u>	<u>(935)</u>
Profit/(loss) for the year		<u><b>5,027</b></u>	<u>(53,366)</u>
<b>Other comprehensive income/(loss) for the year</b>			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of properties, net of deferred tax		<u><b>5,843</b></u>	<u>51,562</u>
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u><b>(10,245)</b></u>	<u>4,644</u>
Other comprehensive income/(loss) for the year		<u><b>(4,402)</b></u>	<u>56,206</u>
Total comprehensive income for the year		<u><b>625</b></u>	<u>2,840</u>
Earnings/(loss) per share attributable to ordinary equity holders of the parent	8		
– Basic (in HK cents)		<u><b>0.200</b></u>	<u>(2.119)</u>
– Diluted (in HK cents)		<u><b>0.200</b></u>	<u>(2.119)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Investment properties		472,456	447,692
Property, plant and equipment		36,352	43,501
Right-of-use assets		81,009	70,426
Rental deposits paid		6,954	7,949
		<hr/>	<hr/>
Total Non-current Assets		596,771	569,568
		<hr/>	<hr/>
Current Assets			
Inventories		93,175	124,945
Trade receivables	10	4,559	2,475
Prepayments and other receivables	9	9,209	9,682
Rental and utility deposits paid		30,601	42,395
Tax recoverable		176	126
Cash and cash equivalents		38,097	10,259
		<hr/>	<hr/>
Total Current Assets		175,817	189,882
		<hr/>	<hr/>
Current Liabilities			
Trade payables	11	15,443	9,511
Other payables and accruals	12	44,962	51,361
Rental deposits received		1,131	521
Interest-bearing bank borrowings		383,818	375,505
Lease liabilities		61,383	72,819
Provision		584	593
Tax payable		355	301
		<hr/>	<hr/>
Total Current Liabilities		507,676	510,611
		<hr/>	<hr/>
Net Current Liabilities		(331,859)	(320,729)
		<hr/>	<hr/>
Total Assets Less Current Liabilities		264,912	248,839
		<hr/>	<hr/>

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Non-current Liabilities</b>			
Other payables	<i>12</i>	<b>1,881</b>	2,388
Other borrowing		<b>13,790</b>	–
Rental deposits received		<b>2,096</b>	1,972
Deferred tax liabilities		<b>17,249</b>	15,810
Lease liabilities		<b>29,686</b>	29,258
		<hr/>	<hr/>
<b>Total Non-current Liabilities</b>		<b>64,702</b>	49,428
		<hr/>	<hr/>
<b>Net Assets</b>		<b>200,210</b>	199,411
		<hr/>	<hr/>
<b>Equity</b>			
Share capital		<b>25,180</b>	25,180
Reserves		<b>175,030</b>	174,231
		<hr/>	<hr/>
<b>Total Equity</b>		<b>200,210</b>	199,411
		<hr/>	<hr/>

Notes:

## 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Going concern basis

As of 31st March, 2023, the Group’s current liabilities exceeded its current assets by HK\$331,859,000.

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 cashflow 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 consolidated financial statements. Accordingly, the directors of the Company believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31st March, 2023 on a going concern basis.

As at 31st March, 2023, the Group had unutilised banking facilities of HK\$39,447,000. 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 consolidated financial statements.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 *Business Combination* an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st April, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st April, 2022. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st April, 2022. The amendments did not have material impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standard*, HKFRS 9 *Financial Instruments*, Illustrative Examples accompanying HKFRS 16 *Leases*, and HKAS 41 *Agriculture*. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1st April, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

### 3. SEGMENT INFORMATION

*For the year ended 31st March, 2023*

#### Disaggregation of revenue from contracts with customers

	<b>Cosmetics</b> <i>HK\$'000</i>	<b>Fashion</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Types of goods</b>			
Sale of cosmetics	301,627	–	301,627
Manufacture and sale of ladies fashion	–	170,998	170,998
	<hr/>	<hr/>	<hr/>
Total	301,627	170,998	472,625
	<hr/>	<hr/>	<hr/>
<b>Timing of revenue recognition</b>			
At point in time	301,627	170,998	472,625
	<hr/>	<hr/>	<hr/>
<b>Geographical markets</b>			
Hong Kong and Macau	301,627	165,898	467,525
Other regions of the People's Republic of China ("PRC")	–	5,100	5,100
	<hr/>	<hr/>	<hr/>
Total	301,627	170,998	472,625
	<hr/>	<hr/>	<hr/>

For the year ended 31st March, 2022

**Disaggregation of revenue from contracts with customers**

	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods</b>			
Sale of cosmetics	342,099	–	342,099
Manufacture and sale of ladies fashion	–	157,750	157,750
	<hr/>	<hr/>	<hr/>
Total	342,099	157,750	499,849
	<hr/>	<hr/>	<hr/>
<b>Timing of revenue recognition</b>			
At point in time	342,099	157,750	499,849
	<hr/>	<hr/>	<hr/>
<b>Geographical markets</b>			
Hong Kong and Macau	342,099	151,282	493,381
Other regions of the PRC	–	6,468	6,468
	<hr/>	<hr/>	<hr/>
Total	342,099	157,750	499,849
	<hr/>	<hr/>	<hr/>

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

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

### *Segment information*

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 stores 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 profit/loss before tax except the change in fair value of investment properties, certain other income and gains, net, central administration costs and finance costs.

No analysis of segment assets and liabilities is presented as the CODM do not review such information for the purposes of resource allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

## Segment Revenue and Results

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

*For the year ended 31st March, 2023*

	Cosmetics	Fashion	Segment Total	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE					
External sales	301,627	170,998	472,625	-	472,625
Inter-segment sales	-	8	8	(8)	-
	<u>301,627</u>	<u>171,006</u>	<u>472,633</u>	<u>(8)</u>	<u>472,625</u>
SEGMENT LOSS	<u>(1,781)</u>	<u>(1,437)</u>	<u>(3,218)</u>	-	(3,218)
Increase in fair value of investment properties					19,881
Other income and gains, net					9,974
Central administration costs					(6,060)
Finance costs					<u>(14,468)</u>
Profit before tax					<u>6,109</u>

For the year ended 31st March, 2022

	Cosmetics HK\$'000	Fashion HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	342,099	157,750	499,849	–	499,849
Inter-segment sales	–	7	7	(7)	–
	<u>342,099</u>	<u>157,757</u>	<u>499,856</u>	<u>(7)</u>	<u>499,849</u>
SEGMENT LOSS	<u>(25,554)</u>	<u>(26,041)</u>	<u>(51,595)</u>	–	(51,595)
Increase in fair value of investment properties					6,096
Other income and gains, net					6,888
Central administration costs					(6,044)
Finance costs					<u>(7,776)</u>
Loss before tax					<u>(52,431)</u>

*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.

	2023 HK\$'000	2022 HK\$'000
Hong Kong and Macau	467,525	493,381
Other regions of the PRC	<u>5,100</u>	<u>6,468</u>
	<u>472,625</u>	<u>499,849</u>

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

#### 4. OTHER INCOME AND GAINS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	16	29
Interest income from rental deposits paid	766	884
Rental income from investment properties, with negligible outgoings	9,950	6,773
Government grants ( <i>Note</i> )	<u>16,244</u>	<u>1,365</u>
	<u>26,976</u>	<u>9,051</u>
<b>Gains, net</b>		
Gain on disposal of items of property, plant and equipment	8	29
Foreign exchange differences, net	3,433	(2,399)
Reversal of onerous contract provision	9	616
Gains on modification of leases	7,594	17,322
Gains on termination of leases	82	707
Others	<u>1,502</u>	<u>1,748</u>
	<u>12,628</u>	<u>18,023</u>
	<u><b>39,604</b></u>	<u><b>27,074</b></u>

*Note:* During the year ended 31st March, 2023, the Group recognised government grants of HK\$16,244,000 (2022: HK\$1,365,000), of which HK\$11,564,000 (2022: nil) relates to the Employment Support Scheme granted by the Government of the Hong Kong Special Administrative Region (“SAR”) and MOP4,820,000 (equivalent to HK\$4,680,000) from Year 2022 10-Billion-Pataca Fund (2022: MOP1,236,000 (equivalent to HK\$1,200,000) from Year 2021 subsidies) granted by Macau SAR Government. The remaining amounts of nil (2022: HK\$165,000) were recognised in profit or loss upon receipt, and there were no unfulfilled conditions attached to these government grants.

## 5. INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	633	748
Overprovision in prior years	(132)	–
	<u>501</u>	<u>748</u>
Current – other jurisdictions		
Charge for the year	77	32
Underprovision in prior years	10	179
	<u>87</u>	<u>211</u>
Deferred tax	<u>494</u>	<u>(24)</u>
	<u><b>1,082</b></u>	<u><b>935</b></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Certain subsidiaries operating in Macau are subject to Macau complementary tax of 12% (2022: 12%), subject to finalisation of the tax liability with the relevant tax authority. In addition, for the years ended 31st March, 2023 and 2022, a special complementary tax incentive was provided to the effect that the tax-free income threshold was Macau Pataca (“MOP”) 600,000 (equivalent to HK\$582,000) with profit above MOP600,000 (equivalent to HK\$582,000) being taxed at a fixed rate of 12% (2022: 12%).

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 PRC subsidiaries is 25% (2022: 25%).

## 6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold	234,940	287,524
Depreciation of property, plant and equipment	5,044	8,182
Depreciation of right-of-use assets	73,321	65,188
Lease payments not included in the measurement of lease liabilities	9,390	11,264
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	118,110	123,291
Share-based payments	174	155
Retirement benefits schemes contributions**	6,933	7,574
	<u>125,217</u>	<u>131,020</u>
Foreign exchange difference, net	(3,433)	2,399
Provision/(reversal) of expected credit loss for trade receivables	128	(2,000)
Impairment of property, plant and equipment	156	308
Impairment of right-of-use assets	3,089	4,465
Provision for inventories*	6,082	7,015
Write-off of inventories*	1,840	9,094
Reversals of onerous contracts provision	(9)	(616)
Change in fair value of investment properties, net	(19,881)	(6,096)
Gains on disposal of items of property, plant and equipment	(8)	(29)

\* Scrap, shrinkage, provision for slow moving inventories and write-down of inventories to net realisable value for the year are included in "cost of goods sold" in the consolidated statement of profit or loss and other comprehensive income.

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 7. DIVIDENDS

The 2023 final dividend of HK0.5 cent per share (2022: nil) totalling approximately HK\$12,590,000 (2022: nil) in cash has been proposed by the directors of the Company to be paid out of the share premium account of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting and confirmation by the Board that immediately following the date on which the final dividend is to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share (2022: loss per share) amounts is based on the profit for the year of HK\$5,027,000 (2022: loss for the year of HK\$53,366,000) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,518,001,334 (2022: 2,518,001,334) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31st March, 2023 and 2022 in respect of dilution as (i) the calculation of diluted earnings per share for the year ended 31st March, 2023 does not assume the exercise of the Company's share options because exercise price of those options was higher than the average market price for shares for the year ended 31st March, 2023; and (ii) the calculation of diluted loss per share for the year ended 31st March, 2022 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. PREPAYMENTS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayment	4,043	6,093
Other receivables	5,166	3,589
	<u>9,209</u>	<u>9,682</u>

## 10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	8,377	6,484
Impairment losses, net	(3,818)	(4,009)
	<u>4,559</u>	<u>2,475</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	4,443	2,341
31 – 60 days	34	58
61 – 90 days	3	59
91 – 120 days	–	17
Over 120 days	79	–
	<u>4,559</u>	<u>2,475</u>

Before accepting any new wholesale customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers. Credit sales are made to customers with a satisfactory and trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

## 11. TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	8,214	5,089
31 – 60 days	7,027	2,200
61 – 90 days	175	831
Over 90 days	27	1,391
	<u>15,443</u>	<u>9,511</u>

Trade payables are non-interest-bearing and are normally settled on a credit term of 30 to 60 days.

## 12. OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued expenses	26,836	23,760
Other payables	3,597	18,121
Provision of reinstatement costs	10,067	10,855
Contract liabilities	6,126	762
Other taxes payables	217	251
	<u>46,843</u>	<u>53,749</u>
Less: non-current portion		
– Provision for reinstatement cost	<u>(1,881)</u>	<u>(2,388)</u>
Current portion	<u>44,962</u>	<u>51,361</u>

## **DIVIDEND**

The Board has resolved to recommend the payment of a final dividend of HK0.5 cent (2022: Nil) per share (each a “**Share**”) of HK\$0.01 each of the Company out of the share premium account of the Company in respect of the year ended 31st March, 2023 to shareholders whose names appear on the register of members of the Company on Tuesday, 19th September, 2023, subject to the approval by the shareholders in the forthcoming annual general meeting (“**AGM**”) of the Company and confirmation by the Board that immediately following the date on which the final dividend is to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business. The said dividend will be paid on Monday, 9th October, 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is a retailer which sells cosmetics products and ladies fashion through our retail network consisting of approximately 118 points of sale in Hong Kong and Macau, to provide quality and value for money cosmetics products and fashion apparel and accessories to a wide range of consumers at cosmetics stores, namely *Colourmix* and *MORIMOR*, and ladies fashion stores, namely *Veeko* and *Wanko*, respectively.

## **BUSINESS REVIEW**

During the Review Financial Year, the Group recorded revenue of HK\$472,625,000 (2022: HK\$499,849,000), representing a decrease of 5.4% as compared to the same period last year. During the Review Financial Year, Hong Kong economy continued to face grave challenges. At the beginning of 2022, a COVID-19 variant, Omicron, broke out in Hong Kong, leading to the fifth outbreak. To contain the spread of the COVID-19 virus, strict anti-pandemic measures were implemented in the city, including vaccine pass, compulsory quarantine measures and extension of the border lockdown, which adversely affected various industries, such as tourism and retail. At the start of 2023, the global COVID-19 pandemic was gradually under control. In light of which, Hong Kong economy and retail market also entered the phase of recovery. In February, 2023, Hong Kong reopened its border, allowing tourists from other regions to visit as in the past. As a result, the number of tourists increased, and retail business in turn showed signs of improvement. The Group recorded a significant year-on-year increase of 44.1% in revenue during the fourth quarter (January to March, 2023). However, the positive effects brought by the reopening of the border was inadequate to recover the decrease in revenue of 17.1% recorded during the first three quarters of the Review Financial Year. Furthermore, the Group has fewer stores as we closed down those with unsatisfactory performance last year. As a result, the revenue of the Group decreased by 5.4% for the year ended 31st March, 2023.

Despite the Group generated less revenue in general as compared to that of last year, the Group recorded a gross profit of HK\$229,763,000 for the year ended 31st March, 2023, representing an increase of 17.1% as compared to HK\$196,216,000 recorded for the same period last year. The increase in gross profit was mainly attributable to the improvement in the gross profit margin of cosmetics business, which reached 38.1% by virtue of the Group's optimization of product mix and effective adjustments to the sale and marketing strategies, representing an increase of 12.4 percentage points as compared to last year.

During the Review Financial Year, the financial performances of all segments of the Group showed improvements, where the Group recorded a profit after tax of HK\$5,027,000 (2022: loss of HK\$53,366,000). During the Review Financial Year, the Group's profit included the increase of HK\$19,881,000 (2022: increase of HK\$6,096,000) in the fair value of investment properties. In addition, the Group received allowances and subsidies in relation to the COVID-19 pandemic of a total of HK\$16,244,000 (2022: HK\$1,365,000) from governments during the Review Financial Year.

### **Cosmetics Business**

As at 31st March, 2023, the Group had a total of 56 cosmetics stores (31st March, 2022: 58), namely *Colourmix* and *MORIMOR*, with 51 located in Hong Kong and 5 in Macau. The repercussions of the pandemic progressively disappeared since the last quarter of the Review Financial Year. In February, 2023, some cosmetics stores located near the border reopened following the cancellation of the border lockdown. The cosmetics business of the Group recorded revenue of HK\$301,627,000 (2022: HK\$342,099,000), representing decrease of 11.8% as compared to the same period last year. The cosmetics business recorded a segment loss of HK\$1,781,000 (2022: loss of HK\$25,554,000), representing a significant decrease of 93.0% as compared to the same period last year. The business environment during the Review Financial Year was a plight, and the cosmetics business was mainly driven by local consumption. Nevertheless, the gross profit margin of the cosmetics business reached 38.1% by virtue of the Group's optimization of product mix and effective adjustments to the sale and marketing strategies, representing a significant increase of 12.4 percentage points as compared to last year. Moreover, the Group also revamped the retail network of the cosmetics business during the Review Financial Year by closing down 5 underperforming stores upon expiration of lease, meanwhile launching 3 new stores at premium locations with reasonable rent, thereby enhancing the operational effectiveness of the stores, thus leading to the reduction of loss incurred during the Review Financial Year.

## **Fashion Business**

As at 31st March, 2023, the Group had a total of 62 ladies fashion stores (31st March, 2022: 82), namely *Veeko* and *Wanko*, with 55 located in Hong Kong, 6 in Macau and 1 in China. The revenue of the Group's fashion business was HK\$170,998,000 (2022: HK\$157,750,000), representing an increase of 8.4% as compared to the same period last year. The fashion business recorded a segment loss of HK\$1,437,000 (2022: loss of HK\$26,041,000), representing a significant decrease of 94.5% as compared to the same period last year. During the Review Financial Year, the Group closed down 13 stores in Mainland China. Since the retail and wholesale revenue of Mainland China took up less than 3% (2022: 4.1%) of the total revenue of the fashion business, such decision did not pose much effect on the Group, and was conducive in terms of reducing the overall operating loss. With regard to Hong Kong and Macau market, the Group closed down 12 underperforming stores upon expiration of lease, meanwhile launching 5 stores at premium locations with reasonable rent, thereby optimizing the retail network and enhancing the operational effectiveness of the stores, thus leading to the reduction of loss incurred during the Review Financial Year. Furthermore, as the production resources of the Group's fashion business were concentrated in its self-owned plant in China, we are able to control costs with flexibility. In face of the tough operating environment, the Group arranged production flexibly, as a bid to reduce inventory level, production costs and expenses.

## **PROSPECTS**

In view of the scrapping of the anti-pandemic measures and the reopening of the border, the Group expects the market to gradually recover, hence we are cautiously optimistic towards the economic prospects. The growing momentum during January to March, 2023 has continued after March, 2023. The Group recorded a double-digit increase in revenue during the period between 1st April to 15th June, 2023, as compared to the same period last year, among which, the revenue of the cosmetics business increased by approximately 26% and the revenue of the fashion business also increased by approximately 16%. As the business environment of Hong Kong and Macau gradually resumed stable, the sentiment of the retail market is also improving. The management will continue to search for ideal shops at premium locations with reasonable rent to launch new stores. The Group also plans to close down underperforming stores upon expiration of lease, as well as prudently grasps market opportunities to optimize our retail network. Up to the moment, the Group has signed 7 new leases, some of which are located in the core tourism areas in Tsim Sha Tsui and Shatin. 3 stores will be launched during the first quarter of the new financial year (i.e. April to June, 2023), and 4 stores were scheduled to be launched during the second quarter (i.e. July to September, 2023). Such stores include cosmetics and fashion stores. Meanwhile, the Group closed down 2 underperforming stores upon expiration of lease in May, 2023, which was conducive in terms of reducing the overall operating loss.

In terms of the cosmetics business, as aforementioned, in February, 2023, Hong Kong reopened its border, allowing tourists from other regions to visit as in the past. As a result, the number of tourists increased, retail business in turn showed signs of improvement. The Group recorded a significant year-on-year increase in the sales of cosmetics during the fourth quarter of the Review Financial Year (i.e. January to March, 2023), the segment also recorded profit during such quarter. The growing momentum has continued after the Review Financial Year. Hence the Group recorded an increase of 26.4% in the revenue of the cosmetics business for the period from 1st April to 15th June, 2023 as compared to the same period last year. Meanwhile, the Group will continue to optimize product mix to increase gross profit margin. As a matter of fact, the gross profit margin of the cosmetics business between April and May, 2023 was maintained at the approximate level to that of the year 2022/2023, i.e. at 38.1%. Based on (i) the current trend; and (ii) the assumption that there would not be any unforeseen adverse circumstances, the Group believes that even in the absence of the COVID-19 pandemic related allowances and subsidies provided by governments, we could keep the positive earnings momentum from the final quarter of the Review Financial Year during April and May, 2023. In addition, the Group successfully launched new stores at premium locations with reasonable rent during the first half of the financial year 2023/2024, as well as closed down stores that incurred loss to lower operating loss. Given the foresaid, the Group is confident that these strategies can further enhance the performance of the cosmetics business in the coming financial year. Apart from physical stores, the Group will also continue to collaborate with well-known e-commerce platforms such as Tmall Global, JD.com and TikTop Shop, etc, committing to both online and offline businesses. We will also participate in commodity fairs across the world to increase our brand awareness and expand customer base.

As opposed to the cosmetics business, the main target market of our fashion business is local consumers. Therefore, the reduction in the number of tourists caused by the pandemic did not impact the business as immensely as it did to the cosmetics business. Thus, the business was able to recover faster. During the Review Financial Year, despite having fewer stores, the sales of the fashion business increased by 8.4%. The Group noticed that the fashion business was sluggish in Mainland China market and its contribution to the Group's revenue was comparatively minimal, so we ceased the operation of the retail business in China. By doing so, not only could we reduce the overall operating loss incurred by the fashion business, we could also focus more resources on developing the fashion business in Hong Kong and Macau market.

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 HK\$738,548,000 in aggregate as at 31st March, 2023. 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 business and take a number of contingency measures, including but not limited to continuing to negotiate with landlords to bargain for reasonable rents, optimizing the retail network, restructuring the product mix, proactively controlling the inventory level and strictly controlling cost and expense. In the hope that the performances of the two core retail segments can continue to grow, and that the Group can maintain profitable.

## **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\$38,097,000 (31st March, 2022: HK\$10,259,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) and loan from a director amounted to HK\$383,818,000 (31st March, 2022: HK\$375,505,000) and HK\$13,790,000 (31st March, 2022: nil), respectively.

At the end of the reporting period, the current ratio was 0.35 (31st March, 2022: 0.37) and the gearing ratio of the Group was 1.92 (31st March, 2022: 1.88) which was calculated based on the Group's total bank borrowings of HK\$383,818,000 (31st March, 2022: HK\$375,505,000) and the total equity of HK\$200,210,000 (31st March, 2022: HK\$199,411,000).

At 31st March, 2023, the Group had banking facilities amounting to HK\$428,449,000 (31st March, 2022: HK\$443,038,000), of which HK\$389,002,000 (31st March, 2022: HK\$386,355,000) was utilised by the Group.

For the details of the cashflow management of the Group, please refer to the "Prospects" of the "Management Discussion and Analysis" section of this announcement.

## **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. Approximately 42% (2022: 45%) of purchases costs are in foreign currencies for the year. 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\$508,156,000 (31st March, 2022: HK\$489,384,000).

## **CONTINGENT LIABILITIES**

At 31st March, 2023, the Group had provided guarantees of HK\$702,809,000 (31st March, 2022: HK\$740,915,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

## **STAFF & REMUNERATION POLICIES**

At 31st March, 2023, the Group had approximately 910 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 performance. 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.

## **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The AGM of the Company is scheduled to be held on Monday, 11th September, 2023. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 6th September, 2023 to Monday, 11th September, 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to be qualify as members to attend and vote at the AGM, investors are urged to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 5th September, 2023.

## **CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND**

In order to ascertain the entitlement to the proposed final dividend for the year ended 31st March, 2023, the register of members of the Company will be closed from Monday, 18th September, 2023 to Tuesday, 19th September, 2023 (both days inclusive) during which period no transfer of shares will be registered. The last day for dealing in Shares cum entitlements to the proposed final dividend for the year ended 31st March, 2023 will be Wednesday, 13th September, 2023. Shareholders are reminded that in order to qualify for the entitlement to the proposed final dividend for the year ended 31st March, 2023, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 15th September, 2023.

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

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

## **CORPORATE GOVERNANCE**

The Company has applied the principles and code provisions as set out in Part 2 of Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and has adopted it as the code for the Company’s corporate governance practices.

In the opinion of the Board, the Company has complied with all the applicable code provisions set out in the CG Code throughout the year ended 31st March, 2023.

Detailed information on the Company’s corporate governance practices is set out in the Corporate Governance Report of the Company’s 2023 Annual Report.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries, all of the directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31st March, 2023.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the financial results for the year ended 31st March, 2023. The Audit Committee comprises all the three independent non-executive directors.

## **SCOPE OF WORK OF ERNST & YOUNG ON THE ANNUAL RESULTS ANNOUNCEMENT**

The figures in respect of the annual results announcement of the Group's results for the year ended 31st March, 2023 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on the annual results announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is the extract of the Independent Auditor's Report from the auditor of the Company, Ernst & Young:

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material Uncertainty related to Going Concern**

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31st March, 2023, the Group's current liabilities exceeded its current assets by HK\$331,859,000. As stated in note 2.1 to the consolidated financial statements, this event or condition, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement containing all information required by Appendix 16 to the Listing Rules is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Latest Listed Company Information” and the Company at <http://www.irasia.com/listco/hk/veeko/index.htm> respectively. The annual report of the Company for the year ended 31st March, 2023 will be despatched to the shareholders of the Company and available on the above websites not later than 31st July, 2023.

## **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 June, 2023

*As at the date of this announcement, the Board comprises two executive directors, namely Mr. Cheng Chung Man, Johnny (Chairman) and Ms. Lam Yuk Sum, one non-executive director, namely Mr. Lam Man Tin and three independent non-executive directors, namely Mr. Au-Yeung Hau Cheong, Mr. Cheng Man Loong, Monty and Mr. Yeung Wing Kay.*