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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2023

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, 2023 (the “**Review Financial Period**”). The results, together with the comparative figures for the corresponding period in 2022, are summarised below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September, 2023

		Six months ended 30th September,	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	281,289	217,866
Cost of goods sold		(147,523)	(113,468)
Gross profit		133,766	104,398
Other income and gains, net		12,235	31,037
Selling and distribution costs		(102,219)	(91,294)
Administrative expenses		(34,902)	(36,067)
Change in fair value of investment properties		3,378	(1,072)
Reversal of expected credit loss for trade receivables		3,381	–
Impairment of right-of-use assets		–	(1,339)
Finance costs		(15,732)	(6,302)

		Six months ended	
		30th September,	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Loss before tax		(93)	(639)
Income tax expense	4	<u>(771)</u>	<u>(479)</u>
Loss for the period	5	<u>(864)</u>	<u>(1,118)</u>
Other comprehensive (loss)/income for the period			
<i>Item that will not be reclassified subsequently</i>			
<i>to profit or loss</i>			
Gain on revaluation of properties, net of deferred tax		–	5,843
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>(7,156)</u>	<u>(12,712)</u>
Other comprehensive loss for the period		<u>(7,156)</u>	<u>(6,869)</u>
Total comprehensive loss for the period		<u>(8,020)</u>	<u>(7,987)</u>
Loss per share attributable to ordinary equity holders of the parent	7		
Basic and diluted		<u>HK(0.034) cent</u>	<u>HK(0.044) cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2023

	<i>Notes</i>	30th September, 2023 (Unaudited) HK\$'000	31st March, 2023 (Audited) HK\$'000
Non-current Assets			
Investment properties		471,687	472,456
Property, plant and equipment		37,271	36,352
Right-of-use assets		136,837	81,009
Rental deposits paid		15,836	6,954
Total Non-current Assets		661,631	596,771
Current Assets			
Inventories		117,398	93,175
Trade receivables	8	5,853	4,559
Prepayments and other receivables		9,037	9,209
Rental and utility deposits paid		24,949	30,601
Tax recoverable		304	176
Cash and cash equivalents		15,039	38,097
Total Current Assets		172,580	175,817
Current Liabilities			
Trade payables	9	30,632	15,443
Dividend payable		12,590	–
Other payables and accruals		40,461	44,962
Rental deposits received		372	1,131
Interest-bearing bank borrowings		394,379	383,818
Lease liabilities		78,995	61,383
Provision		584	584
Tax payable		342	355
Total Current Liabilities		558,355	507,676
Net Current Liabilities		(385,775)	(331,859)
Total Assets Less Current Liabilities		275,856	264,912

		30th September, 2023	31st March, 2023
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Non-current Liabilities			
Other payables		3,858	1,881
Other borrowing	<i>10</i>	8,420	13,790
Rental deposits received		2,811	2,096
Deferred tax liabilities		17,074	17,249
Lease liabilities		64,007	29,686
		<hr/>	<hr/>
Total Non-current Liabilities		96,170	64,702
		<hr/>	<hr/>
Net Assets		179,686	200,210
		<hr/>	<hr/>
Equity			
Share capital		25,180	25,180
Reserves		154,506	175,030
		<hr/>	<hr/>
Total Equity		179,686	200,210
		<hr/>	<hr/>

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, 2023.

During the period ended 30th September, 2023, the Company and its subsidiaries (the “**Group**”) incurred a net loss of HK\$864,000 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$385,775,000.

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, 2023 on a going concern basis.

As at 30th September, 2023, the Group had unutilised banking facilities of HK\$26,619,000. 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, 2023 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31st March, 2023, 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.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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, 2023

Disaggregation of revenue from contracts with customers

	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods			
Sale of cosmetics	202,850	–	202,850
Manufacture and sale of ladies fashion	–	78,439	78,439
	<hr/>	<hr/>	<hr/>
Total	202,850	78,439	281,289
	<hr/>	<hr/>	<hr/>
Timing of revenue recognition			
At point in time	202,850	78,439	281,289
	<hr/>	<hr/>	<hr/>
Geographical markets			
Hong Kong and Macau	202,850	78,413	281,263
Other regions of the People's Republic of China (the "PRC")	–	26	26
	<hr/>	<hr/>	<hr/>
Total	202,850	78,439	281,289
	<hr/>	<hr/>	<hr/>

For the six months ended 30th September, 2022

Disaggregation of revenue from contracts with customers

	Cosmetics <i>HK\$'000</i>	Fashion <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods			
Sale of cosmetics	141,623	–	141,623
Manufacture and sale of ladies fashion	–	76,243	76,243
	<hr/>	<hr/>	<hr/>
Total	141,623	76,243	217,866
	<hr/>	<hr/>	<hr/>
Timing of revenue recognition			
At point in time	141,623	76,243	217,866
	<hr/>	<hr/>	<hr/>
Geographical markets			
Hong Kong and Macau	141,623	72,484	214,107
Other regions of the PRC	–	3,759	3,759
	<hr/>	<hr/>	<hr/>
Total	141,623	76,243	217,866
	<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 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.

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 loss before tax. The adjusted 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.

Segment Revenue and Results

Unaudited six months ended 30th September, 2023

	Segment			Eliminations	Consolidated
	Cosmetics	Fashion	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE					
External sales	202,850	78,439	281,289	–	281,289
Inter-segment sales	–	10	10	(10)	–
	<u>202,850</u>	<u>78,449</u>	<u>281,299</u>	<u>(10)</u>	<u>281,289</u>
SEGMENT PROFIT/(LOSS)	<u>(823)</u>	<u>6,898</u>	<u>6,075</u>	–	<u>6,075</u>
Increase in fair value of investment properties					3,378
Other income and gains, net					6,179
Central administration costs					(3,204)
Finance costs					<u>(12,521)</u>
Loss before tax					<u>(93)</u>

Unaudited six months ended 30th September, 2022

	Segment			Eliminations	Consolidated
	Cosmetics	Fashion	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>	–	<u>3,588</u>
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>

Other Segment Information

Unaudited six months ended 30th September, 2023

	Cosmetics	Fashion	Segment Total	Corporate	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure					
– Property, plant and equipment	2,333	1,808	4,141	–	4,141
Depreciation of right-of-use assets	23,478	20,261	43,739	41	43,780
Depreciation of property, plant and equipment	659	1,142	1,801	674	2,475
Impairment of right-of-use assets	–	–	–	–	–
Scrap, shrinkage and other provision for inventories	144	37	181	–	181

Unaudited six months ended 30th September, 2022

	Cosmetics	Fashion	Segment Total	Corporate	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

4. INCOME TAX EXPENSE

	Six months ended 30th September,	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
The charge comprises:		
Profits tax		
Hong Kong		
– Current	61	290
Other jurisdictions		
– Current	99	–
– (Over)/underprovision in prior periods	6	(4)
Deferred tax	<u>605</u>	<u>193</u>
	<u>771</u>	<u>479</u>

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,	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period is arrived at after charging/(crediting):		
Depreciation of right-of-use assets	43,780	33,430
Depreciation of property, plant and equipment	2,475	2,545
Loss/(gain) on disposal of property, plant and equipment, net	25	(14)
Foreign exchange differences, net	(2,884)	(4,720)
Bank interest income	(7)	(7)
Rental income from investment properties, with negligible outgoings	(6,165)	(4,775)
Government grants (<i>Note</i>)	–	(15,110)
Gain on modification of leases	(499)	(5,385)

Note:

During the six months ended 30th September, 2022, 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 said 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, 2024 (2023: nil).

7. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the period of HK\$864,000 (2022: HK\$1,118,000) 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 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. 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, 2023 (Unaudited) HK\$'000	31st March, 2023 (Audited) HK\$'000
Within 30 days	4,956	4,443
31 – 60 days	807	34
61 – 90 days	2	3
91 – 120 days	1	–
Over 120 days	87	79
	<u>5,853</u>	<u>4,559</u>

9. 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:

	30th September, 2023 (Unaudited) HK\$'000	31st March, 2023 (Audited) HK\$'000
Within 30 days	15,853	8,214
31 – 60 days	11,052	7,027
61 – 90 days	2,231	175
Over 90 days	1,496	27
	<u>30,632</u>	<u>15,443</u>

10. OTHER BORROWING

The Group had an outstanding balance due to a director of the Company of HK\$8,420,000 (31st March, 2023: HK\$13,790,000) as at the end of the reporting period. This balance is unsecured, interest-bearing at HIBOR +1% per annum and repayable in 2024 to 2025.

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 six months ended 30th September, 2023, the Group recorded revenue of HK\$281,289,000 (2022: HK\$217,866,000), representing an increase of 29.1% as compared with the same period last year. Since February, 2023, Hong Kong has fully reopened its border, allowing tourists from other regions to visit as in the past. As a result, the number of inbound tourists increased, and retail business in turn showed signs of improvement. The Group recorded a gross profit of HK\$133,766,000, representing an increase of 28.1% as compared with HK\$104,398,000 for the same period last year. The increase in gross profit was mainly driven by the increase in the revenue of cosmetics business whereas the maintenance of gross profit margins of all segments was by virtue of the Group's continuous optimization of product mix and effective adjustments to the sales and marketing strategies.

During the Review Financial Period, although the financial performances of all segments of the Group showed improvements, the Group still recorded a loss after tax. However, the Group had not received allowances and subsidies in relation to the COVID-19 pandemic (2022: HK\$15,110,000) from governments during the Review Financial Period. Excluding such allowances and subsidies, the adjusted loss for the first half of the financial year 2022/2023 was approximately HK\$16,228,000. The loss for the first half of the financial year 2023/2024 was HK\$864,000, representing a significant decrease of 94.7% as compared with the adjusted loss for the same period last year. In addition, the Group's overall loss included the increase of HK\$3,378,000 (2022: decrease of HK\$1,072,000) in the fair value of investment properties during the Review Financial Period. The Group's finance costs increased by approximately HK\$9,430,000 as compared with the same period last year due to the rising of lending rates.

Cosmetics Business

As at 30th September, 2023, the Group had 58 *Colourmix* and *MORIMOR* cosmetics stores (30th September, 2022: 57 stores) in total, of which 53 stores were located in Hong Kong and 5 stores were located in Macau. During the Review Financial Period, the Group revamped the retail network of the cosmetics business by closing down 3 underperforming stores upon expiration of lease, meanwhile launching 5 new stores at premium locations with reasonable rent. The revenue of the Group's cosmetics business amounted to HK\$202,850,000 (2022: HK\$141,623,000), representing an increase of 43.2% as compared with the same period last year. The cosmetics business recorded a segment loss of HK\$823,000 (2022: a loss of HK\$2,490,000), representing a decrease of 66.9% as compared with the same period last year.

Fashion Business

As at 30th September, 2023, the Group had a total of 60 ladies fashion stores (30th September, 2022: 73 stores) under the brands of *Veeko* and *Wanko*, with 54 stores located in Hong Kong and 6 stores located in Macau. The revenue of the Group's fashion business amounted to HK\$78,439,000 (2022: HK\$76,243,000), representing an increase of 2.9% as compared with the same period last year. The fashion business recorded a segment profit of HK\$6,898,000 (2022: a profit of HK\$6,078,000), representing an increase of 13.5% as compared with the same period last year. During the Period, the Group closed down 4 underperforming stores upon expiration of lease, meanwhile launching 3 new stores at premium locations with reasonable rent, thereby optimizing the retail network and enhancing the operational effectiveness of the stores. Furthermore, as the production resources of the Group's fashion business were concentrated in its self-owned plant in China, we were able to control costs with flexibility. In face of different operating environments, the Group arranged production flexibly, as a bid to reduce inventory level, production costs and expenses.

PROSPECTS

During the Review Financial Period, as the market is gradually recovering, the Group is cautiously optimistic towards the economic prospects for the coming year. As the business environment of Hong Kong and Macau has 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 its retail network.

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 inbound tourists increased, retail business in turn showed signs of improvement. Following the growth momentum of the first half of the year, the revenue of the cosmetics business for the period from 1st October to 26th November, 2023 recorded an increase of more than 60% as compared with the same period last year. The Group will continue to search for ideal shops at premium locations with reasonable rent to expand its sales outlets, while further optimizing product mix to maintain gross profit margin and increase revenue. Based on the current trend, the Group is confident that these strategies can further enhance the performance of the cosmetics business in the second half of the 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 Douyin Shop, etc, committing to both online and offline businesses to enhance its brand awareness and expand customer base.

Unlike the cosmetics business, the fashion business mainly targets local consumers. During the Review Financial Period, the number of fashion stores decreased slightly, yet the revenue increased by 2.9%. The revenue in October, 2023 was approximately in line with the average revenue for the first half of the financial year, while the revenue for the period from 1st to 26th November recorded a slight increase as compared with the same period last year. The second half of the financial year is the peak season during autumn and winter, together with the traditional festivals such as Christmas and New Year, making it the golden period of the fashion business. Therefore, the Group is cautiously optimistic about the performance of the fashion business in the second half of the financial year.

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\$739,122,000 in aggregate as at 30th September, 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 break even 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\$15,039,000 (31st March, 2023: HK\$38,097,000). The outstanding bank borrowings (mainly in Hong Kong Dollar) and loans from a director amounted to HK\$394,379,000 (31st March, 2023: HK\$383,818,000) and HK\$8,420,000 (31st March, 2023: HK\$13,790,000), respectively.

At the end of the reporting period, the current ratio was 0.31 (31st March, 2023: 0.35) and the gearing ratio of the Group was 2.19 (31st March, 2023: 1.92) which was calculated based on the Group's total bank borrowings of HK\$394,379,000 (31st March, 2023: HK\$383,818,000) and the total equity of HK\$179,686,000 (31st March, 2023: HK\$200,210,000).

At 30th September, 2023, the Group had banking facilities amounting to HK\$426,319,000 (31st March, 2023: HK\$428,449,000), of which HK\$399,700,000 (31st March, 2023: HK\$389,002,000) was utilised by the Group.

FOREIGN EXCHANGE EXPOSURE

Several subsidiaries of the Company have foreign currency purchases (mainly in United States Dollar and Euro), which expose the Group to foreign currency risk. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency risk by entering into forward contracts should the need arises.

PLEDGE OF ASSETS

At the end of the reporting period, the amount of assets pledged by the Group to certain banks to secure general banking facilities granted to the Group was HK\$505,661,000 (31st March, 2023: HK\$508,156,000).

CONTINGENT LIABILITIES

At 30th September, 2023, the Group had provided guarantees of HK\$837,922,000 (31st March, 2023: HK\$702,809,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

STAFF AND REMUNERATION POLICIES

At 30th September, 2023, the Group had approximately 880 employees (31st March, 2023: approximately 910). 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.

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

During the six months ended 30th September, 2023, 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 applicable code provisions set out in Part 2 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions 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 six months ended 30th September, 2023.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2023 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, 29th November, 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.