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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, 2024**

#### **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, 2024 (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, 2024*

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b>	<b>2023</b> <b>HK\$'000</b>
Revenue	3	<b>586,710</b>	472,625
Cost of goods sold		<b>(327,389)</b>	(242,862)
Gross profit		<b>259,321</b>	229,763
Other income and gains, net	4	<b>18,034</b>	39,604
Selling and distribution costs		<b>(214,516)</b>	(189,524)
Administrative expenses		<b>(68,925)</b>	(73,006)
Change in fair value of investment properties, net		<b>5,324</b>	19,881
Reversal of/(provision for) expected credit loss for trade receivables		<b>3,381</b>	(128)

		2024	2023
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Impairment of property, plant and equipment		(442)	(156)
Impairment of right-of-use assets		(5,783)	(3,089)
Finance costs		<u>(34,805)</u>	<u>(17,236)</u>
(Loss)/profit before tax	6	(38,411)	6,109
Income tax expense	5	<u>(1,632)</u>	<u>(1,082)</u>
(Loss)/profit for the year		<u><b>(40,043)</b></u>	<u>5,027</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>60,168</u>	<u>5,843</u>
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>(4,579)</u>	<u>(10,245)</u>
Other comprehensive income/(loss) for the year		<u>55,589</u>	<u>(4,402)</u>
Total comprehensive income for the year		<u><b>15,546</b></u>	<u>625</u>
(Loss)/earnings per share attributable to ordinary equity holders of the parent	8		
– Basic (in HK cents)		<u>(1,590)</u>	<u>0.200</u>
– Diluted (in HK cents)		<u>(1,590)</u>	<u>0.200</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2024

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Investment properties		<b>552,651</b>	472,456
Property, plant and equipment		<b>18,517</b>	36,352
Right-of-use assets		<b>127,848</b>	81,009
Rental deposits paid		<b>13,157</b>	6,954
		<hr/>	<hr/>
Total Non-current Assets		<b>712,173</b>	596,771
<b>Current Assets</b>			
Inventories		<b>106,501</b>	93,175
Trade receivables	<i>10</i>	<b>5,969</b>	4,559
Prepayments and other receivables	<i>9</i>	<b>5,695</b>	9,209
Rental and utility deposits paid		<b>26,116</b>	30,601
Tax recoverable		<b>378</b>	176
Pledged deposits		<b>2,231</b>	–
Cash and cash equivalents		<b>8,537</b>	38,097
		<hr/>	<hr/>
Total Current Assets		<b>155,427</b>	175,817
<b>Current Liabilities</b>			
Trade payables	<i>11</i>	<b>30,620</b>	15,443
Other payables and accruals	<i>12</i>	<b>42,178</b>	44,962
Rental deposits received		<b>656</b>	1,131
Interest-bearing bank borrowings		<b>390,454</b>	383,818
Lease liabilities		<b>78,103</b>	61,383
Provision		<b>898</b>	584
Tax payable		<b>274</b>	355
		<hr/>	<hr/>
Total Current Liabilities		<b>543,183</b>	507,676
Net Current Liabilities		<b>(387,756)</b>	(331,859)
		<hr/>	<hr/>
Total Assets Less Current Liabilities		<b>324,417</b>	264,912

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Non-current Liabilities</b>			
Other payables	<i>12</i>	<b>3,523</b>	1,881
Other borrowing		<b>37,450</b>	13,790
Rental deposits received		<b>1,859</b>	2,096
Deferred tax liabilities		<b>17,756</b>	17,249
Lease liabilities		<b>60,508</b>	29,686
		<hr/>	<hr/>
<b>Total Non-current Liabilities</b>		<b>121,096</b>	64,702
		<hr/>	<hr/>
<b>Net Assets</b>		<b>203,321</b>	200,210
		<hr/>	<hr/>
<b>Equity</b>			
Share capital		<b>25,180</b>	25,180
Reserves		<b>178,141</b>	175,030
		<hr/>	<hr/>
<b>Total Equity</b>		<b>203,321</b>	200,210
		<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**”) and the disclosure requirements of 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

During the year ended 31st March, 2024, the Group incurred a net loss of HK\$40,043,000 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$387,756,000.

As at 31st March, 2024, the Group’s interest-bearing bank borrowings due within one year or contain a repayable on demand clauses amounted of HK\$390,454,000, of which the Group breached a debt covenant of a bank with aggregate loans amount of HK\$88,009,000. Such bank did not require the immediate repayments and the Group has fully repaid the bank loans in April 2024. As at 31st March, 2024, the Group had cash and cash equivalents of HK\$8,537,000.

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.

The following measures are the Group has implemented or is in the process of implementing: (i) in April and May 2024, the new banking facilities of HK\$93,353,000 was negotiated and obtained, and the bank loans of HK\$83,783,000 was drawn; (ii) in June 2024, the directors of the Company provided a revolving loan facility repayable on 2nd June, 2026 with a limit of HK\$350,000,000, and the aggregate loan of HK\$348,000,000 was drawn as of the date of this announcement; (iii) subsequent to the year ended and up to the date of this announcement, the Group repaid bank borrowings with an aggregate amount of HK\$231,577,000; (iv) on going negotiation for external financing, including but not limited to, obtaining further banking facilities; and (v) consideration of potential downside risk factors, working capital sensitivities and identified mitigating actions that could be taken to further reduce cash expenditure and meet operating cashflow.

The directors of the Company 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, 2024 on a going concern basis.

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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</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 nature and the impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1st April, 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1st April, 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

### 3. SEGMENT INFORMATION

*For the year ended 31st March, 2024*

#### 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	426,537	–	426,537
Manufacture and sale of ladies fashion	–	160,173	160,173
Total	<u>426,537</u>	<u>160,173</u>	<u>586,710</u>
<b>Timing of revenue recognition</b>			
At point in time	<u>426,537</u>	<u>160,173</u>	<u>586,710</u>
<b>Geographical markets</b>			
Hong Kong and Macau	426,537	160,147	586,684
Other regions of the People's Republic of China ("PRC")	–	26	26
Total	<u>426,537</u>	<u>160,173</u>	<u>586,710</u>

For the year ended 31st March, 2023

**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	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 PRC	–	5,100	5,100
	<hr/>	<hr/>	<hr/>
Total	301,627	170,998	472,625
	<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 material 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 interest expense on bank and other borrowings.

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

*For the year ended 31st March, 2024*

	Cosmetics	Fashion	Segment Total	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE					
External sales	426,537	160,173	586,710	–	586,710
Inter-segment sales	–	12	12	(12)	–
	<u>426,537</u>	<u>160,185</u>	<u>586,722</u>	<u>(12)</u>	<u>586,710</u>
SEGMENT LOSS	<u>(19,467)</u>	<u>(3,618)</u>	<u>(23,085)</u>	–	(23,085)
Increase in fair value of investment properties					5,324
Other income and gains, net					12,459
Central administration costs					(6,042)
Finance costs					<u>(27,067)</u>
Loss before tax					<u>(38,411)</u>

For the year ended 31st March, 2023

	Cosmetics HK\$'000	Fashion HK\$'000	Segment Total HK\$'000	Eliminations HK\$'000	Consolidated 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>

*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.

	2024 HK\$'000	2023 HK\$'000
Hong Kong and Macau	<b>586,684</b>	467,525
Other regions of the PRC	<u>26</u>	<u>5,100</u>
	<b><u>586,710</u></b>	<u>472,625</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	13	16
Interest income from rental deposits paid	1,224	766
Rental income from investment properties, with negligible outgoings	11,564	9,950
Government grants ( <i>Note</i> )	–	16,244
	<u>12,801</u>	<u>26,976</u>
<b>Gains, net</b>		
Gain on disposal of items of property, plant and equipment	275	8
Foreign exchange differences, net	1,012	3,433
(Provision for)/reversal of onerous contract	(314)	9
Gains on modification of leases	499	7,594
Gains on termination of leases	755	82
Penalties from tenants for early termination of lease	868	–
Others	2,138	1,502
	<u>5,233</u>	<u>12,628</u>
	<u><b>18,034</b></u>	<u><b>39,604</b></u>

*Note:* During the year ended 31st March, 2023, the Group recognised government grants of HK\$16,244,000, of which HK\$11,564,000 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 granted by Macau SAR Government. There were no unfulfilled conditions attached to these government grants. No such government grants are recognised in the year ended 31st March, 2024.

## 5. INCOME TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	572	633
Overprovision in prior years	–	(132)
	<u>572</u>	<u>501</u>
Current – other jurisdictions		
Charge for the year	(2)	77
(Overprovision)/underprovision in prior years	(69)	10
	<u>(71)</u>	<u>87</u>
Deferred tax	<u>1,131</u>	<u>494</u>
	<u><b>1,632</b></u>	<u><b>1,082</b></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Certain subsidiaries operating in Macau are subject to Macau complementary tax of 12% (2023: 12%), subject to finalisation of the tax liability with the relevant tax authority. In addition, for the years ended 31st March, 2024 and 2023, 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% (2023: 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% (2023: 25%).

## 6. (LOSS)/PROFIT BEFORE TAX

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold	324,981	234,940
Depreciation of property, plant and equipment	4,879	5,044
Depreciation of right-of-use assets	93,137	73,321
Lease payments not included in the measurement of lease liabilities	13,293	9,390
Employee benefits expenses (including directors' emoluments):		
Salaries and other benefits	115,701	118,110
Share-based payments	155	174
Retirement benefits schemes contributions**	6,518	6,933
	<u>122,374</u>	<u>125,217</u>
Foreign exchange difference, net	(1,012)	(3,433)
(Reversal of)/provision for expected credit loss for trade receivables	(3,381)	128
Impairment of property, plant and equipment	442	156
Impairment of right-of-use assets	5,783	3,089
Provision for inventories*	987	6,082
Write-off of inventories*	1,421	1,840
Provision for/(reversal of) onerous contracts	314	(9)
Change in fair value of investment properties, net	(5,324)	(19,881)
Gains on disposal of items of property, plant and equipment	<u>(275)</u>	<u>(8)</u>

\* Scrap, shrinkage and provision for slow moving inventories 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Proposed final – nil (2023: HK0.5 cent) per ordinary share	<u>–</u>	<u>12,590</u>

The final dividend (paid out of the share premium of the Company) was approved by the shareholders at the annual general meeting.

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share (2023: earnings per share) amounts is based on the loss for the year of HK\$40,043,000 (2023: profit for the year of HK\$5,027,000) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,518,001,334 (2023: 2,518,001,334) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31st March, 2024 and 2023 in respect of dilution as (i) the calculation of diluted loss per share for the year ended 31st March, 2024 does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share; and (ii) 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.

## 9. PREPAYMENTS AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Prepayment	3,375	4,043
Other receivables	2,320	5,166
	<u>5,695</u>	<u>9,209</u>

## 10. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	5,969	8,377
Impairment losses, net	–	(3,818)
	<u>5,969</u>	<u>4,559</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	5,136	4,443
31 – 60 days	530	34
61 – 90 days	278	3
91 – 120 days	–	–
Over 120 days	25	79
	<u>5,969</u>	<u>4,559</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	16,401	8,214
31 – 60 days	10,267	7,027
61 – 90 days	3,016	175
Over 90 days	936	27
	<u>30,620</u>	<u>15,443</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Accrued expenses	27,368	26,836
Other payables	3,509	3,597
Provision of reinstatement costs	9,180	10,067
Contract liabilities	5,533	6,126
Other taxes payables	111	217
	<u>45,701</u>	<u>46,843</u>
Less: non-current portion		
– Provision for reinstatement cost	<u>(3,523)</u>	<u>(1,881)</u>
Current portion	<u>42,178</u>	<u>44,962</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a retailer which sells cosmetics products and ladies fashion through our retail network consisting of 117 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 year ended 31st March, 2024 (the “**Review Financial Year**”), the Group recorded revenue of HK\$586,710,000 (2023: HK\$472,625,000), representing an increase of 24.1% as compared to the same period last year. During the Review Financial Year, Hong Kong economy continued to face grave challenges. The Group recorded a gross profit of HK\$259,321,000 for the year ended 31st March, 2024, representing an increase of 12.9% as compared with HK\$229,763,000 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 gross profit margins of all segments decreased by 4.4 percentage points to 44.2% from 48.6% for the previous year. The gross profit margin of fashion segment increased in the year when compared with that of the previous year, while the gross profit margin of cosmetics segment decreased. Since the turnover of cosmetics segment represented a larger portion to the overall turnover than that of fashion segment, the overall gross profit margin decreased in the year when compared with that of the previous year.

The Group recorded a loss after tax of HK\$40,043,000 (2023: a profit after tax of HK\$5,027,000). Due to the increase in interest rate for bank loans, the finance cost for the year significantly increased by HK\$17,569,000 as compared with that for the previous year. During the Review Financial Year, the increase in fair value of investment properties of the Group dropped from HK\$19,881,000 for the previous year to HK\$5,324,000 for the year. In addition, the Group did not receive any allowances and subsidies in relation to the COVID-19 pandemic from governments for the year whereas the Group received such allowances and subsidies of HK\$16,244,000 for the previous year.

## **Cosmetics Business**

As at 31st March, 2024, the Group had a total of 57 cosmetics stores (31st March, 2023: 56), namely *Colourmix* and *MORIMOR*, with 52 located in Hong Kong and 5 in Macau. The cosmetics business of the Group recorded revenue of HK\$426,537,000 (2023: HK\$301,627,000), representing an increase of 41.4% as compared to the same period last year. The cosmetics business recorded a segment loss of HK\$19,467,000 (2023: loss of HK\$1,781,000). In response to, among others, the growing trend of “tripping north” to Shenzhen as well as outbound travels made by Hong Kong residents during the Review Financial Year, the Group have adjusted its sales and marketing strategies, leading to an increase in both revenue and gross profit of the cosmetics business over the previous year, whereas the gross profit margin dropped slightly. The persistently high level of rent has had negative impact on retail industry.

## **Fashion Business**

As at 31st March, 2024, the Group had a total of 60 ladies fashion stores (31st March, 2023: 62), namely *Veeko* and *Wanko*, with 54 located in Hong Kong and 6 in Macau. The revenue of the Group’s fashion business was HK\$160,173,000 (2023: HK\$170,998,000), representing a decrease of 6.3% as compared to the same period last year. The fashion business recorded a segment loss of HK\$3,618,000 (2023: loss of HK\$1,437,000). During the Review Financial Year, despite the decline in revenue, the increase in gross profit margin of the fashion business maintained a substantially same level of its gross profit as compared with that for the previous year. 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 challenging operating environments, the Group arranged production flexibly, as a bid to reduce inventory level, production costs and expenses.

## **PROSPECT**

Affected by factors such as the trend of tripping north to Shenzhen and the rise of outbound travelling, it is expected that the outlook for the retail market in Hong Kong is still challenging in the coming year. With respect to fashion business, the Group will close down underperforming stores upon expiration of lease as planned, as well as prudently grasp market opportunities to optimize its retail network so as to reduce the overall operating loss. With respect to cosmetics business, continued efforts will be made to maintain and increase revenue, as well as to optimize product mix so as to enhance profitability. The Group also actively considers business expansion if ideal shops at premium locations with reasonable rent are found. However, based on the current trend, it is believed that retail business in the first half of next year will still be in a stage of adjustment. 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.

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\$742,583,000 in aggregate as at 31st March, 2024. These properties also serve as financial support for the Group. In addition, executive directors of the Company had granted a revolving loan facility of up to HK\$350,000,000 to the Group without asset pledge to show their confidence and support in the future of the Group. The Group will also 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 including but not limited to continuing to negotiate reasonable rent with landlords, optimizing retail network, enhancing its product mix, increasing the attractiveness of its products, and stringently controlling costs and expenditures. We hope the results of our two core retail segments to continue to grow, and the Group to achieve 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) and pledged deposits amounted to HK\$8,537,000 (31st March, 2023: HK\$38,097,000) and HK\$2,231,000 (31st March, 2023: nil), respectively. The outstanding bank borrowings (mainly in Hong Kong Dollar) and loan from two directors amounted to HK\$390,454,000 (31st March, 2023: HK\$383,818,000) and HK\$37,450,000 (31st March, 2023: loan from a director HK\$13,790,000), respectively.

At the end of the reporting period, the current ratio was 0.29 (31st March, 2023: 0.35) and the gearing ratio of the Group was 1.92 (31st March, 2023: 1.92) which was calculated based on the Group's total bank borrowings of HK\$390,454,000 (31st March, 2023: HK\$383,818,000) and the total equity of HK\$203,321,000 (31st March, 2023: HK\$200,210,000).

At 31st March, 2024, the Group had banking facilities amounting to HK\$440,950,000 (31st March, 2023: HK\$428,449,000), of which HK\$394,967,000 (31st March, 2023: HK\$389,002,000) 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 30% (2023: 42%) 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\$570,010,000 (31st March, 2023: HK\$508,156,000).

## **CONTINGENT LIABILITIES**

At 31st March, 2024, the Group had provided guarantees of HK\$838,857,000 (31st March, 2023: HK\$702,809,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

## **STAFF & REMUNERATION POLICIES**

At 31st March, 2024, the Group had approximately 870 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 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 annual general meeting (“**AGM**”) of the Company is scheduled to be held on Thursday, 26th September, 2024. For determining the qualification to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 23rd September, 2024 to Thursday, 26th September, 2024 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible 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 Friday, 20th September, 2024.

## **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 C1 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, 2024.

Detailed information on the Company’s corporate governance practices is set out in the Corporate Governance Report of the Company’s 2024 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 C3 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, 2024.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the financial results for the year ended 31st March, 2024. 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, 2024 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, 2024, 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 the Group incurred a net loss of HK40,043,000 during the year ended 31st March, 2024 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$387,756,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which 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 D2 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, 2024 will be available on the above websites (and will be despatched to the shareholders of the Company, where applicable) not later than 31st July, 2024.

## **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 June, 2024

*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.*