時代集團控股有限公司
SITOY GROUP HOLDINGS LIMITED

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The board (the "**Board**") of directors (the "**Directors**") of Sitoy Group Holdings Limited (the "**Company**") is pleased to announce the consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 December 2011, together with unaudited comparative figures for the corresponding period in the year 2010, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 31 December **2011** **HK$'000**	 2010 HK$'000 (Unaudited)
REVENUE	4	**1,620,370**	1,203,919
Cost of sales		**(1,254,619)**	(930,418)
Gross profit		**365,751**	273,501
Other income and gains	4	**10,874**	17,687
Selling and distribution costs		**(42,804)**	(25,656)
Administrative expenses		**(105,475)**	(73,674)
Other expenses		**(1,429)**	(357)
Finance costs	6	**(1,494)**	(2,175)
PROFIT BEFORE TAX	5	**225,423**	189,326
Income tax expense	7	**(47,410)**	(34,408)
PROFIT FOR THE PERIOD		**178,013**	154,918
Attributable to:			
Owners of the Company		**178,013**	154,918
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	8	**22.70**	20.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
PROFIT FOR THE PERIOD	**178,013**	154,918
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	**(113)**	(532)
Exchange differences on translation of foreign operations	**7,885**	7,022
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**7,772**	6,490
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**185,785**	161,408
Attributable to:		
Owners of the Company	**185,785**	161,408

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2011 HK$'000**	As at 30 June 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**305,190**	284,003
Prepaid land lease payments		**20,627**	20,327
Deferred tax assets		**11,219**	10,360
Prepayments		**2,899**	3,176
Total non-current assets		**339,935**	317,866
CURRENT ASSETS			
Inventories		**464,974**	291,837
Trade receivables	9	**308,794**	239,860
Prepayments, deposits and other receivables		**42,863**	50,271
Amount due from a related company		**110**	540
Available-for-sale investment		**9,496**	9,609
Cash and cash equivalents		**714,166**	80,390
Total current assets		**1,540,403**	672,507
CURRENT LIABILITIES			
Trade payables	10	**230,701**	197,972
Other payables and accruals		**119,502**	96,495
Interest-bearing bank borrowings		**76,289**	105,901
Tax payable		**63,101**	96,324
Total current liabilities		**489,593**	496,692
NET CURRENT ASSETS		**1,050,810**	175,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,390,745**	493,681
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,290**	244
Total non-current liabilities		**1,290**	244
Net assets		**1,389,455**	493,437
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**100,153**	1
Reserves		**1,289,302**	493,436
Total equity		**1,389,455**	493,437

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Sitoy Group Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 21 February 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands.

The principal activities of the Company and its subsidiaries are the manufacture and sale of handbags, small leather goods and travel goods.

Pursuant to a group reorganization which was completed on 13 July 2011, the Company became the holding company of the other subsidiaries comprising the Group.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 December 2011 (the "Listing Date").

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for available-for-sale investment, which has been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The comparative amounts of the consolidated income statement and the consolidated statement of comprehensive income in respect of the six months ended 31 December 2010 and the related notes disclosed in the consolidated financial statement have not been audited.

The consolidated financial statements include the financial statements of the Group for the six months ended 31 December 2011. For the preparation of the consolidated financial statements, the Group adopted 30 June as the Group's financial year end. The financial statements of the subsidiaries are prepared using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current period's financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 24 (Revised)	*Related Party Disclosures*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

3. Operating Segment Information

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

(a) Manufacturing: produces handbags, small leather goods and travel goods for branding and resale by others; and

(b) Retail: manufactures and retails handbags, small leather goods and travel goods for the brand owned by the Group.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Six months ended 31 December 2011

	Manufacturing	**Retail**	**Total**
	HK$'000	HK$'000	HK$'000
Segment revenue:			
Sales to external customers	**1,616,524**	**3,846**	**1,620,370**
Intersegment sales	**3,903**	**–**	**3,903**
	1,620,427	**3,846**	**1,624,273**
Reconciliation:			
Elimination of intersegment sales			**(3,903)**
Total revenue			**1,620,370**
Segment results	**249,600**	**(11,101)**	**238,499**
Reconciliation:			
Corporate and other unallocated expenses			**(13,076)**
Profit before tax			**225,423**
Other segment information:			
Depreciation of items of property, plant and equipment	**11,948**	**972**	**12,920**
Amortization of prepaid land lease payments	**222**	**–**	**222**
Write-down of inventories to net realizable value	**6,833**	**–**	**6,833**
Operating lease rentals	**2,510**	**4,593**	**7,103**
Capital expenditure*	**21,317**	**5,229**	**26,546**

Six months ended 31 December 2010 (unaudited)

	Manufacturing	Retail	Total
	HK$'000	HK$'000	HK$'000
Segment revenue:			
Sales to external customers	1,203,919	–	1,203,919
Segment results	195,337	–	195,337
Reconciliation:			
Corporate and other unallocated expenses			(6,011)
Profit before tax			189,326
Other segment information:			
Depreciation of items of property, plant and equipment	8,553	–	8,553
Amortization of prepaid land lease payments	152	–	152
Write-down of inventories to net realizable value	3,551	–	3,551
Operating lease rentals	2,595	–	2,595
Capital expenditure*	40,843	–	40,843

* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments during the period.

The following table compares the total segment assets and liabilities as at 31 December 2011 and as at the date of the last annual financial statements (30 June 2011).

As at 31 December 2011

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment assets	**1,250,251**	**27,356**	**1,277,607**
Reconciliation:			
Elimination of intersegment receivables			**(15,821)**
Corporate and other unallocated assets			**618,552**
Total assets			**1,880,338**
Segment liabilities	**475,124**	**17,723**	**492,847**
Reconciliation:			
Elimination of intersegment payables			**(15,821)**
Corporate and other unallocated liabilities			**13,857**
Total liabilities			**490,883**

As at 30 June 2011

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment assets	978,846	14,594	993,440
Reconciliation:			
Elimination of intersegment receivables			(7,203)
Corporate and other unallocated assets			4,136
Total assets			990,373
Segment liabilities	483,887	8,926	492,813
Reconciliation:			
Elimination of intersegment payables			(7,203)
Corporate and other unallocated liabilities			11,326
Total liabilities			496,936

Geographical information

(a) *Revenue from external customers*

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Revenue		
North America	**1,090,871**	813,103
Europe	**306,364**	198,082
Mainland China, Hong Kong, Macau and Taiwan	**148,850**	107,153
Other Asian countries	**68,820**	85,225
Others	**5,465**	356
	1,620,370	1,203,919

The revenue information above is based on the region of the customers' distribution centers to which the products were shipped.

(b) *Non-current assets*

	As at 31 December 2011	As at 30 June 2011
	HK$'000	HK$'000
Mainland China, Hong Kong, Macau and Taiwan	**328,716**	307,506

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the six months ended 31 December 2011, revenue derived from sales by the manufacturing activities segment to two major customers amounting to HK$821,138,000 and HK$178,172,000 had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the six months ended 31 December 2010, revenue derived from sales by the manufacturing activities segment to two major customers amounting to HK$669,173,000 (unaudited) and HK$120,822,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

4. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Revenue		
Sale of goods	**1,620,370**	1,203,919
Other income and gains		
Exchange gains, net	**4,237**	8,845
Net sample income and compensations from customers and suppliers	**5,404**	4,923
Government grants	**424**	3,431
Interest income	**682**	70
Others	**127**	418
	10,874	17,687

5. Profit Before Tax

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

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Cost of inventories sold	**1,254,619**	930,418
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**332,658**	217,094
– Pension scheme contributions	**7,292**	5,089
	339,950	222,183
Depreciation of items of property, plant and equipment	**12,920**	8,553
Amortization of prepaid land lease payments	**222**	152
Operating lease rentals	**7,103**	2,595
Write-down of inventories to net realizable value	**6,833**	3,551
Write-off of long term lease payment	**–**	120
Initial public offering costs	**16,117**	5,000
Auditors' remuneration	**979**	500
Exchange gains, net	**(4,237)**	(8,845)

6. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Interest on bank borrowings wholly repayable within five years	**1,494**	2,175

7. Income Tax Expense

The major components of income tax expense are as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Current – Hong Kong		
Charge for the period	**10,708**	29,219
Current – Mainland China		
Charge for the period	**36,261**	11,167
Deferred tax	**441**	(5,978)
Total tax charge for the period	**47,410**	34,408

8. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2011 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 784,103,609 (six months ended 31 December 2010: 748,800,000) in issue during the period, as adjusted to reflect the share issuance during the period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the period includes the 249,600,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Stock Exchange on 6 December 2011 and 3,132,000 ordinary shares issued in connection with the partially exercised over-allotment option on 30 December 2011.

The calculation of basic earnings per share is based on:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**178,013**	154,918

	Six months ended 31 December	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**784,103,609**	748,800,000

* Arrived at on the assumption that the capitalization issue of 748,789,600 shares had been effective since 1 July 2010.

No adjustment has been made to the basic earnings per share presented for the six months ended 31 December 2011 and 2010 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. Trade Receivables

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Trade receivables	**308,794**	239,860
Impairment	**–**	–
	308,794	239,860

The Group's trading terms with its customers are mainly on credit. The Group grants different credit periods to customers. The credit period of individual customers is considered on a case-by-case basis. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Within 90 days	**296,849**	239,761
91 to 180 days	**11,945**	99
	308,794	239,860

10. Trade Payables

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Trade payables	**230,701**	197,972

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

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Within 90 days	**220,511**	191,417
91 to 180 days	**8,171**	3,441
181 to 365 days	**2,019**	3,114
	230,701	197,972

The trade payables are non-interest-bearing and are normally to be settled within 90 days. The carrying amounts of the trade payables approximate to their fair values.

11. Commitments

The Group had the following capital commitments at the end of the reporting period:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**3,479**	4,308
Other intangible asset	**4,027**	4,503
	7,506	8,811

12. Events After the Reporting Period

There were no significant events that took place after the reporting period and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Initial Public Offering and Use of Net Proceeds

The Company became listed on the Stock Exchange on 6 December 2011, marking a key milestone in the business development of the Group. In connection with the Company's initial public offering, 249,600,000 new shares of the Company were issued and allotted at an offer price of HK$2.95 per share and pursuant to the partial exercise of the over-allotment option, 3,132,000 new shares of the Company were issued and allotted on 30 December 2011 at an offer price of HK$2.95 per share.

From the initial public offering and the partial exercise of the over-allotment option, the Group raised approximately HK$745.6 million before expenses, which will be used in accordance with the use of proceeds as disclosed in the prospectus of the Company dated 24 November 2011. As at 31 December 2011, the Group deposited the net proceeds into interest-bearing accounts with financial institutions in Hong Kong.

Business Review

Manufacturing business

The manufacturing business of the Group comprises the products developed and manufactured for its high-end and luxury brand customers, as well as the products researched, developed, designed and manufactured for its private label customers. For the six months ended 31 December 2011, the Group manufactured and sold a total of 7.7 million units of handbags, small leather goods and travel goods to its high-end and luxury brand customers. The following table sets forth, for the periods indicated, the sales volume and revenue attributed to each category of the principal products of the manufacturing business of the Group.

	For the six months ended 31 December					
	2011		2010		Percentage change	
	Sales Volume	**Revenue**	Sales Volume	Revenue	Sales Volume	Revenue
	Units'000	**HK$'000**	Units'000	HK$'000	%	%
Handbags	**5,895.0**	**1,405,952**	4,665.4	1,084,263	26.4%	29.7%
Small leather goods	**1,763.5**	**187,820**	1,190.1	111,270	48.2%	68.8%
Travel goods	**39.4**	**22,752**	20.2	8,386	95.0%	171.3%
Total	**7,697.9**	**1,616,524**	5,875.7	1,203,919	31.0%	34.3%

The rapid growth in sales volume and revenue for the six months ended 31 December 2011 was mainly attributable to the growing demand in the markets in which the high-end and luxury brand customers of the Group sell their products. Given the rapid growth in demand for high-end and luxury handbag, small leather goods and travel goods products, especially in emerging markets like the People's Republic of China (the "PRC"), the growth of the global high-end and luxury handbag, small leather goods and travel goods manufacturing market is expected to exceed the comparative expected growth of the corresponding retail market, as global high-end and luxury brands continue to outsource production in order to reduce costs. As a result of the Group's market-leading position and long track record in providing high quality services, it is expected that the manufacturing business of the Group will expand continuously and the order book of the Group for the next six months is in line with the expectation.

Retail Business

The retail business of the Group represents the sale of the TUSCAN'S branded handbag and small leather goods products through its own retail stores in the PRC and Hong Kong. For the six months ended 31 December 2011, the revenue generated from the retail business of the Group was HK$3.8 million. During the second half of 2011, six new stand-alone retail stores and nine new department store concession counters were opened in Beijing, Chongqing, Hefei, Hong Kong, Jinan, Jinhua, Ningbo, Shanghai, Shenzhen and Wuhu.

In order to attract customers to revisit the stores more frequently and increase store traffic, approximately 100 different designs and styles of handbags and small leather goods will be generated each six-month season and four to six different designs and styles of handbags and small leather goods will be introduced each month. Since the launch of the retail business in February 2011, TUSCAN'S handbag and small leather goods products have been promoted through different marketing channels, including mass media, such as magazines, transportation advertising, such as in-flight advertisements, in-store promotion campaigns, and fashion shows.

Supported by the strong creative center and research and development center of the Group, new TUSCAN'S handbag or small leather goods product lines can be launched quickly in order to meet fast changing consumer preferences and fashion trends and test the market acceptance of each design before incurring significant production costs.

Given the growing demand for quality fashion handbags and small leather goods in the PRC and Hong Kong and by leveraging on the strong manufacturing platform of the Group, it is expected that the sales volume and revenue from the retail business will increase continuously.

Manufacturing Facilities

As at 31 December 2011 and 2010, the estimated semi-annual production capacity of the Group was approximately 9.1 million and 8.0 million units of handbags, small leather goods and travel goods, respectively, while the utilization rate for the same six months periods was approximately 85% and 74%, respectively. The increase in the production capacity of the Group was primarily due to the increased number of the production lines to 210 from 186 during the period under review as a result of increased demand for the products from the customers. This increase also improved the manufacturing flexibility and efficiency of the Group and allowed it to better meet the varying demands of the customers.

The Group plans to continue expanding its manufacturing capabilities. With respect to its manufacturing facilities, the current expansion plans include a second phase expansion of its manufacturing facility in Yingde. The construction of two buildings as part of the second expansion phase of the Yingde manufacturing facility was completed in November 2011. The Group is now in the process of planning and negotiating construction contracts with respect to the remaining buildings of the second expansion phase of the Yingde manufacturing facility. In addition, the Group will continuously upgrade its machinery and equipment in order to enhance the operational efficiency. It is expected that these new investments will be partly funded by the proceeds of the initial public offering and partly from the internally generated funds of the Group.

Product Research, Development and Design

The Group has a leading design, research and development platforms in the high-end and luxury branded handbag and small leather goods manufacturing industry in the PRC based on number of staff. The in-house creative center and research and development center of the Group offer the customers one-stop design, research, development and manufacturing solutions, which helps the Group to service its customers in responding to fast changing consumer preferences and fashion trends, develop and manufacture products with complex designs, maintain its profitability, as well as secure additional business.

As at 31 December 2011, the creative center and the research and development center had approximately 1,100 and 63 staff, respectively, many of whom have significant experience in the industry, which enhances the ability to collaborate with the customers in their product development process. The creative center designed or collaborated with the customers in the design and development of more than 3,400 and 2,700 distinct handbags, small leather goods and travel goods for the six months ended 2011 and 2010, respectively.

By offering the customers a comprehensive range of additional services in addition to the high level of craftsmanship and manufacturing expertise, it is expected that the expertise in the research, development, design and manufacture of handbags, small leather goods and travel goods will well position the Group to attract and retain leading international high-end and luxury brands as customers.

Future Prospects

As the first luxury handbag, small leather goods, and travel goods manufacturer listed in Hong Kong, the Group captures opportunities arising from the rapid growth in the global high-end and luxury branded fashion goods market, especially in the PRC. By leveraging on the market leading position and strong research, development, design and commercialisation capabilities, the Group will broaden the customer base by attracting new international high-end and luxury brand customers in order to diversify its revenue streams and expand into new segments such as travel goods and luxury bags and small leather goods markets for men given their strong growth potential. It is expected that 2 to 3 new European high-end and luxury brand customers will be added to the Group's customer portfolio for the year ending 30 June 2012.

The Group will enhance its research, development, design and other value-added services to the customers by collaborating with them in their product design and development process and provide input on the production of handbags, small leather goods and travel goods with different designs in order to strength the relationships with them.

The Group will continue to expand its manufacturing capabilities in anticipation of the continued growth of business. Increasing the manufacturing capabilities also gives the Group the flexibility to adapt the production lines for the production of small, customized orders, such as for luxury branded handbags and small leather goods, as well as larger volume production runs to meet the varying demands of the customers in order to yield higher margins and maintain the relationships with the customers.

For the retail business, the Group will continue to enhance brand recognition for the TUSCAN'S brand by launching further advertising campaigns through multiple marketing channels. New directly operated stores, in particular department store concession counters, will be opened in fast growing cities in the PRC and Hong Kong where a rapidly growing middle class is driving the demand for high-end fashion handbag and small leather goods products.

Supported by the strong performance in the manufacturing business and the continuous expansion of the retail business, the Group is confident and optimistic about its future business prospects.

Financial Review

Revenue

Revenue of the Group represents proceeds from sale of handbags, small leather goods and travel goods to high-end and luxury brand customers and sale of the TUSCAN'S branded products through the retail stores in the PRC and Hong Kong. The following table sets forth, for the periods indicated, the revenue by operating segment and product type.

	For the six months ended 31 December				
	2011		2010		
Manufacturing	**HK$'000**	**Percentage**	HK$'000	Percentage	Percentage change
Handbags	**1,405,952**	**86.8%**	1,084,263	90.1%	29.7%
Small leather goods	**187,820**	**11.6%**	111,270	9.2%	68.8%
Travel goods	**22,752**	**1.4%**	8,386	0.7%	171.3%
Subtotal	**1,616,524**	**99.8%**	1,203,919	100.0%	34.3%
Retail	**3,846**	**0.2%**	–	–	–
Total	**1,620,370**	**100.0%**	1,203,919	100.0%	34.6%

The revenue increased by 34.6% to HK$1,620.4 million for the six months ended 31 December 2011 from HK$1,203.9 million for the six months ended 31 December 2010. This increase was primarily due to an increase in the sales volumes of products to 7.7 million units for the six months ended 31 December 2011 from 5.9 million units for the six months ended 31 December 2010 as a result of growing demand from the high-end and luxury brand customers, as well as the start of the retail business in February 2011.

Cost of Sales

Cost of sales primarily consists of cost of raw materials, direct labour costs and manufacturing overheads (which includes primarily utility expenses, rental fees, amortization and depreciation and net value-added tax payables). The following table sets forth, the components of the cost of sales.

	For the six months ended 31 December			
	2011		2010	
	HK$'000	**Percentage of revenue**	HK$'000	Percentage of revenue
Cost of raw materials	**959,190**	**59.2%**	741,844	61.6%
Direct labour costs	**266,060**	**16.4%**	167,845	14.0%
Manufacturing overheads	**29,369**	**1.8%**	20,729	1.7%
Total	**1,254,619**	**77.4%**	930,418	77.3%

Costs of sales of the Group increased by 34.8% to HK$1,254.6 million for the six months ended 31 December 2011 from HK$930.4 million for the six months ended 31 December 2010. This increase was primarily due to an increase in sales volume for the six months ended 31 December 2011 compared to six months ended 31 December 2010. The decrease in the cost of raw materials to 59.2% for the six months ended 31 December 2011 from 61.6% for the six months ended 31 December 2010 as a percentage of revenue was primarily due to continued improvements in the product design and development capabilities. Direct labour costs increased to 16.4% for the six months ended 31 December 2011 from 14.0% for the six months ended 31 December 2010 as a percentage of revenue was primarily as a result of higher wages and an increase in head count in connection with the expansion of the manufacturing capabilities.

Gross profit and gross profit margin

Gross profit increased by 33.7% to HK$365.8 million for the six months ended 31 December 2011 from HK$273.5 million for the six months ended 31 December 2010, which was in line with the revenue growth during the same period. Gross profit margin remained stable at 22.6% for the six months ended 31 December 2011 compared with 22.7% for the six months ended 31 December 2010.

Other income and gains

Other income and gains decreased to HK$10.9 million for the six months ended 31 December 2011 from HK$17.7 million for the six months ended 31 December 2010. The decrease was primarily due to a HK$4.6 million decrease in net exchange gains and a HK$3.0 million decrease in PRC government grants which was non-recurring in nature.

Selling and distribution costs

Selling and distribution costs primarily consist of marketing and promotion expenses, sales and marketing staff remuneration and benefits, transportation costs for transporting finished goods to their port of shipment and supplies from the suppliers, customs clearance fees and other selling expenses.

Selling and distribution costs increased by 66.5% to HK$42.8 million for the six months ended 31 December 2011 from HK$25.7 million for the six months ended 31 December 2010. The increase in sales volumes resulted in a HK$2.9 million increase in transportation costs for transporting finished goods to their port of shipment and raw materials from the suppliers, as well as a HK$3.1 million increase in sales and marketing staff remuneration and benefits for the manufacturing business. In addition, the start of the retail business in February 2011 resulted in a HK$9.6 million increase in selling and distribution costs, most of which were pre-operating expenses.

Administrative expenses

Administrative expenses primarily consist of office and administrative expenses, administrative staff remuneration and benefits, directors' remuneration, initial public offering expenses, depreciation of office equipment and buildings, bank charges and other administrative expenses.

Administrative expenses increased by 43.1% to HK$105.5 million for the six months ended 31 December 2011 from HK$73.7 million for the six months ended 31 December 2010, primarily attributable to one-off initial public offering expenses incurred. Excluding initial public offering expenses of HK$16.1 million and HK$5.0 million for the six months ended 31 December 2011 and 2010 respectively, administrative expenses increased by 30.1% during the period under review, which was in line with the revenue and gross profit growth of 34.6% and 33.7% respectively.

Other expenses

Other expenses increased to HK$1.4 million for the six months ended 31 December 2011 from HK$0.4 million for the six months ended 31 December 2010, primary attributable to an expense of HK$1.2 million incurred for obtaining the properties ownership certificates in Dongguan.

Finance costs

Finance costs decreased to HK$1.5 million for the six months ended 31 December 2011 from HK$2.2 million for the six months ended 31 December 2010. This decrease was primarily due to a decrease in bank borrowings in 2011 as a result of the Group's strategy to reduce its bank borrowings to the extent conducive to the business.

Income tax expense

Under the current laws of the Cayman Islands and the British Virgin Islands, the Group is not subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the Cayman Islands or the British Virgin Islands.

Hong Kong profits tax as applicable to the Group was 16.5% for the six months ended 2011 and 2010 on the estimated assessable profits arising in Hong Kong during the relevant period.

PRC corporate income tax was based on a statutory rate of 25% of the assessable profit of all the subsidiaries incorporated in the PRC as determined in accordance with the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law"), which was approved and became effective on 1 January 2008. Certain foreign invested enterprises ("FIE") that were established prior to the promulgation of the New Corporate Income Tax Law and enjoyed lower tax rates according to the provisions of the previous tax laws and regulations are exempt from paying income tax for a period of two years starting from the year when the FIEs begin to make a profit or 1 January 2008, whichever is earlier, and thereafter enjoy a 50% reduced tax rate for the following three years. An indirect wholly-owned subsidiary of the Company, Sitoy (Yingde) Leather Products Co., Ltd., is an FIE that qualifies for this 50% reduced tax rate until 31 December 2012.

The effective tax rate of the Group was 21.0% for the six months ended 31 December 2011.

Profit for the period

Profit for the period increased by HK$23.1 million to HK$178.0 million for the six months ended 31 December 2011 from HK$154.9 million for the six months ended 31 December 2010. As a percentage of revenue, profit decreased to 11.0% for the six months ended from 12.9% for the six months ended 31 December 2010, primarily due to one-off initial public offering expenses incurred and operating loss situation of the retail business.

Capital expenditure

For the six months ended 31 December 2011, the capital expenditure of the Group amounted to HK$26.5 million, primarily related to the expansion of the manufacturing capabilities through the construction of the new manufacturing facilities in Dongguan and Yingde and acquisition of new machineries.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 31 December 2011.

Liquidity and financial resources

The liquidity and financial resources position remains strong as the Group continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 31 December 2011 amounted to HK$714.2 million. The Group has sufficient financial resources and a strong cash position for satisfying working capital requirements for business development, operations and capital expenditure. New investment opportunities, if any, would be funded by the Group's internal resources.

The outstanding bank and other borrowings decreased to HK$76.3 million as at 31 December 2011 compared with HK$105.9 million as at 30 June 2011. The decrease in outstanding bank and other borrowings was primarily due to the Group's strategy to reduce bank and other borrowings to the extent conducive to the business. No gearing ratio (calculated as net debt divided by total capital plus net debt) as at 31 December 2011 is presented because the Group's cash and cash equivalents exceeded the interest-bearing bank borrowings. As at 30 June 2011, the gearing ratio was 5%.

Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2011, 99.75% (year ended 30 June 2011: 99.94%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 42% (year ended 30 June 2011: 38%) of costs were denominated in the units' functional currency.

As at 31 December 2011, the Group had three foreign exchange forward contracts to purchase US$1,348,500, US$271,600 and US$540,400, respectively, using Euro and no other financial derivatives outstanding. The contracted exchange rates of the foreign exchange forward contracts were US$1.3485, US$1.358 and US$1.351, respectively, to one Euro, and the expiration dates of these contracts are 22 February 2012, 28 February 2012 and 18 April 2012, respectively.

Pledge of Assets

As at 31 December 2011, property, plant and equipment, and available-for-sale investment of HK$11.1 million were pledged as security for banking facilities available to the Group (30 June 2011: HK$11.3 million).

Inventory turnover days

Inventory turnover days increased to 56 days for the six months ended 31 December 2011 (calculated as the average of the beginning and ending inventory balances for the period before provisions against inventories, divided by the cost of sales for the period and multiplied by 184 days) from 52 days for the year ended 30 June 2011 (calculated as the average of the beginning and ending inventory balances for the year before provisions against inventories, divided by the cost of sales for the year and multiplied by 365 days). The increase in inventory turnover days was due to the Group's strategy to target luxury brand customers to whom more complex products were sold resulting in a longer production cycle.

Trade receivables turnover days

Trade receivables turnover days remained stable at 31 days for the six months ended 31 December 2011 (calculated as the average of the beginning and ending trade receivables balances for the period, divided by revenue for the period and multiplied by 184 days) compared with 29 days for the year ended 30 June 2011 (calculated as the average of the beginning and ending trade receivables balances for the year, divided by revenue for the year and multiplied by 365 days). The Group did not experience any significant credit risk due to strict credit control policies.

Based on past experience, the Directors are of the opinion that no provision for impairment is necessary as at 31 December 2011 as there has not been a significant change in credit quality and all of the balances are considered fully recoverable.

Trade payables turnover days

Trade payables turnover days decreased slightly to 41 days for the six months ended 31 December 2011 (calculated as the average of the beginning and ending trade payables balances for the period, divided by the cost of raw materials for the period and multiplied by 184 days) compared with 43 days for the year ended 30 June 2011 (calculated as the average of the beginning and ending trade payables balances for the year, divided by the cost of raw materials for the year and multiplied by 365 days). Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements

As at 31 December 2011, the Group did not have any material off-balance sheet arrangements or contingencies.

Auditors' Report

The audit opinion that will be issued for the consolidated interim financial statements of the Group for the six months ended 31 December 2011, will include the following paragraph:

"Without qualifying our opinion, we draw attention to the fact that the comparative amounts set out in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related notes for the six months ended 31 December 2010 have not been audited."

Employees

As at 31 December 2011, the Group had over 14,000 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with outstanding performance. The PRC subsidiaries of the Group are subject to social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations and adhere to both statutory employment standards and those requested by our customers, such as minimum wage levels and maximum working hours. In addition, the Group provides staff quarters for most of our employees and, in case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteen, clinic, sports site, library and internet center for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the compensation packages and fringe benefits offered by the Group to its staff members are competitive in comparison with market standards and practices.

Since human resource management is an important factor in maintaining and further enhancing the Group's strong expertise and know-how in the craftsmanship of handbags, small leather goods and travel goods, the in-house employee training center will provide pre-job training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different levels of on-the-job training will be provided to the employees to broaden their skills and enhance their productivity.

A share option scheme was approved and adopted on 15 November 2011 (the "Share Option Scheme") to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants of the scheme. During the six months ended 31 December 2011, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at 31 December 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of the subsidiaries during the period from the Listing Date to 31 December 2011.

Dividend

The Directors do not recommend the payment of any interim dividend to shareholders of the Company for the six months ended 31 December 2011.

Audit Committee

The Company established an audit committee on 15 November 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises Mr. Yeung Chi Tat (chairman of the audit committee), Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk, all of whom are independent non-executive Directors. The audit committee has reviewed and discussed the consolidated interim results of the Group for the six months ended 31 December 2011.

Corporate Governance

The Company is committed to fulfilling its responsibilities to shareholders and protecting and enhancing shareholder value through solid corporate governance. It devotes considerable efforts in identifying and formalising its corporate governance practices. The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring all its businesses are conducted in an honest, ethical and responsible manner and the proper processes for oversight of its businesses are in place and are regularly reviewed.

The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the period from the Listing Date to 31 December 2011.

Directors' 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 code of conduct governing securities transactions by the Directors.

Specific enquiry has been made to all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for the period from the Listing Date to 31 December 2011.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.sitoy.com) and the Stock Exchange (www.hkexnews.hk). The Company's interim report for the six months ended 31 December 2011 will be dispatched to the shareholders of the Company and available on the above websites in due course.

For and on behalf of the Board
Sitoy Group Holdings Limited
Yeung Michael Wah Keung
Chairman

Hong Kong, 27 February 2012

As at the date of this announcement, the executive directors of the Company are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, Mr. Yu Chun Kau, Mr. Chan Ka Dig Adam and Mr. Yeung Andrew Kin, and the independent non-executive directors of the Company are Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk.