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

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時代集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2012

Financial highlights for the year ended 30 June 2012

Revenue increased by 33.9% over the same period in 2011 to approximately HK$3,338.2 million.

Gross profit increased by 34.0% over the same period in 2011 to approximately HK$741.4 million.

Profit attributable to the owners of the Company for the year increased by 26.0% over the same period in 2011 to approximately HK$381.0 million.

Basic earnings per share attributable to the ordinary equity holders of the Company for the year increased by approximately 5.7% over the same period in 2011 to HK42.7 cents.

The board (the "**Board**") of directors (the "**Directors**") of Sitoy Group Holdings Limited (the "**Company**") is pleased to announce the consolidated final results of the Company and its subsidiaries (together, the "**Group**") for the year ended 30 June 2012, together with comparative figures for the corresponding year in 2011, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 30 June	
	Notes	**2012** **HK$'000**	2011 HK$'000
REVENUE	4	**3,338,241**	2,493,272
Cost of sales		**(2,596,858)**	(1,940,152)
Gross profit		**741,383**	553,120
Other income and gains	4	**24,554**	27,404
Selling and distribution costs		**(97,632)**	(55,924)
Administrative expenses		**(200,576)**	(157,513)
Other expenses		**(3,017)**	(414)
Finance costs	6	**(2,046)**	(3,817)
PROFIT BEFORE TAX	5	**462,666**	362,856
Income tax expense	7	**(81,658)**	(60,436)
PROFIT FOR THE YEAR		**381,008**	302,420
Attributable to:			
Owners of the Company		**381,008**	302,420
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	9	**42.70**	40.39

Details of the dividend for the reporting period are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**381,008**	302,420
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	**(33)**	(414)
Exchange differences on translation of foreign operations	**(5,711)**	14,129
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(5,744)**	13,715
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**375,264**	316,135
Attributable to:		
Owners of the Company	**375,264**	316,135

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2012 HK$'000**	As at 30 June 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**320,473**	284,003
Prepaid land lease payments		**20,290**	20,327
Intangible asset		**4,140**	–
Deferred tax assets		**15,751**	10,360
Prepayments		**350**	3,176
Total non-current assets		**361,004**	317,866
CURRENT ASSETS			
Inventories		**380,609**	291,837
Trade receivables	10	**304,627**	239,860
Prepayments, deposits and other receivables		**55,275**	50,271
Amount due from a related company		**–**	540
Available-for-sale investment		**9,576**	9,609
Time deposit with original maturity of more than three months		**60,000**	–
Cash and cash equivalents		**746,798**	80,390
Total current assets		**1,556,885**	672,507
CURRENT LIABILITIES			
Trade payables	11	**182,586**	197,972
Other payables and accruals		**82,272**	96,495
Interest-bearing bank borrowings		**–**	105,901
Tax payable		**74,097**	96,324
Total current liabilities		**338,955**	496,692
NET CURRENT ASSETS		**1,217,930**	175,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,578,934**	493,681
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	244
Total non-current liabilities		**–**	244
Net assets		**1,578,934**	493,437
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**100,153**	1
Reserves		**1,478,781**	493,436
Total equity		**1,578,934**	493,437

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

The Company 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 Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The principal activities of the Group 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 an available-for-sale investment, which has 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.

The consolidated financial statements include the financial statements of the Group for the year ended 30 June 2012. 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 revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments 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.

Year ended 30 June 2012

	Manufacturing HK$'000	**Retail** HK$'000	**Total** HK$'000
Segment revenue:			
Sales to external customers	**3,323,853**	**14,388**	**3,338,241**
Intersegment sales	**4,533**	**–**	**4,533**
	3,328,386	**14,388**	**3,342,774**
Reconciliation:			
Elimination of intersegment sales			**(4,533)**
Total revenue			**3,338,241**
Segment results	**496,434**	**(21,804)**	**474,630**
Reconciliation:			
Corporate and other unallocated expenses			**(11,964)**
Profit before tax			**462,666**
Segment assets	**1,373,562**	**36,051**	**1,409,613**
Reconciliation:			
Elimination of intersegment receivables			**(23,214)**
Corporate and other unallocated assets			**531,490**
Total assets			**1,917,889**
Segment liabilities	**334,969**	**25,980**	**360,949**
Reconciliation:			
Elimination of intersegment payables			**(23,214)**
Corporate and other unallocated liabilities			**1,220**
Total liabilities			**338,955**
Other segment information:			
Depreciation of items of property, plant and equipment	**25,190**	**2,669**	**27,859**
Amortization of prepaid land lease payments	**441**	**–**	**441**
Write-down of inventories to net realizable value	**7,625**	**–**	**7,625**
Operating lease rentals	**5,890**	**11,784**	**17,674**
Capital expenditure*	**53,244**	**10,767**	**64,011**

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

Year ended 30 June 2011

	Manufacturing HK$'000	**Retail** HK$'000	**Total** HK$'000
Segment revenue:			
Sales to external customers	2,492,543	729	2,493,272
Intersegment sales	834	–	834
	2,493,377	729	2,494,106
Reconciliation:			
Elimination of intersegment sales			(834)
Total revenue			2,493,272
Segment results	377,766	(5,253)	372,513
Reconciliation:			
Corporate and other unallocated expenses			(9,657)
Profit before tax			362,856
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
Other segment information:			
Depreciation of items of property, plant and equipment	19,474	252	19,726
Amortization of prepaid land lease payments	371	–	371
Write-down of inventories to net realizable value	2,254	–	2,254
Operating lease rentals	5,663	2,645	8,308
Capital expenditure**	111,804	2,801	114,605

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

Geographical information

(a) *Revenue from external customers*

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
Revenue		
North America	**2,270,278**	1,694,261
Europe	**608,570**	424,505
Mainland China, Hong Kong, Macau and Taiwan	**293,697**	219,756
Other Asian countries	**158,097**	151,695
Others	**7,599**	3,055
	3,338,241	2,493,272

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 30 June 2012	As at 30 June 2011
	HK$'000	HK$'000
Mainland China and Hong Kong	**345,253**	307,506

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

Information about major customers

For the year ended 30 June 2012, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$1,610,303,000 and HK$514,798,000 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 year ended 30 June 2011, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$1,327,559,000 and HK$300,707,000 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.

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:

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
Revenue		
Sale of goods	**3,338,241**	2,493,272
Other income and gains		
Net sample income and compensations from customers and suppliers	**11,303**	9,818
Government grants	**4,941**	5,259
Interest income	**4,421**	194
Exchange gains, net	**3,402**	11,645
Others	**487**	488
	24,554	27,404

5. Profit Before Tax

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

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
Cost of inventories sold	**2,596,858**	1,940,152
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**665,908**	468,230
– Pension scheme contributions	**16,621**	10,974
	682,529	479,204
Depreciation of items of property, plant and equipment	**27,859**	19,726
Amortization of prepaid land lease payments	**441**	371
Operating lease rentals	**17,674**	8,308
Write-down of inventories to net realizable value	**7,625**	2,254
Loss on disposal of items of property, plant and equipment	**1,247**	20
Initial public offering costs	**16,117**	10,855
Auditors' remuneration	**2,850**	999
Exchange gains, net	**(3,402)**	(11,645)

6. Finance Costs

An analysis of finance costs is as follows:

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**2,046**	3,817

7. Income Tax Expense

The major components of income tax expense are as follows:

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**37,141**	51,501
Current – Mainland China		
Charge for the year	**48,589**	18,152
Adjustments in respect of current income tax of previous years	**1,339**	(5,736)
Deferred tax	**(5,411)**	(3,481)
Total tax charge for the year	**81,658**	60,436

8 Dividend

(a) Dividends attributable to the current year

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
Proposed final – HK20 cents per ordinary share	**200,306**	–

On 17 September 2012, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2012 of HK20 cents per ordinary share out of the consolidated retained profits of the Group as at 30 June 2012, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

(b) *Dividend attributable to the prior year*

The dividends declared by the Company's subsidiary to its then shareholders during the reporting period are as follows:

		Year ended 30 June	
		2012	2011
	Notes	**HK$'000**	HK$'000
Declared interim dividend	(i)	**–**	40,000
Declared special dividend	(ii)	**–**	400,000
		–	440,000

Notes:

(i) The interim dividend of HK$40,000,000 proposed by the Board of Directors of Sitoy Handbag to its then shareholders was approved on 31 December 2010, which was fully paid in the year ended 30 June 2011.

(ii) In connection with the initial public offering, a special dividend of HK$400,000,000 proposed by the Board of Directors of Sitoy Handbag to its then shareholders was approved on 28 May 2011.

9. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the year ended 30 June 2012 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 892,223,738 (year ended 30 June 2011: 748,800,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year 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:

	Year ended 30 June	
	2012	2011
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**381,008**	302,420

	Year ended 30 June	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	**892,223,738**	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 years ended 30 June 2012 and 2011 as the Group had no potentially dilutive ordinary shares in issue during those years.

10. Trade Receivables

	As at 30 June 2012 HK$'000	As at 30 June 2011 HK$'000
Group		
Trade receivables	**304,627**	239,860
Impairment	**–**	–
	304,627	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 30 June 2012 HK$'000	As at 30 June 2011 HK$'000
Group		
Within 90 days	**281,728**	239,761
91 to 180 days	**22,899**	99
	304,627	239,860

11. Trade Payables

	As at 30 June 2012 HK$'000	As at 30 June 2011 HK$'000
Group		
Trade payables	**182,586**	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 30 June 2012 HK$'000	As at 30 June 2011 HK$'000
Group		
Within 90 days	**179,830**	191,417
91 to 180 days	**2,161**	3,441
181 to 365 days	**595**	3,114
	182,586	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.

12. Commitments

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

	As at 30 June 2012 HK$'000	As at 30 June 2011 HK$'000
Group		
Contracted, but not provided for:		
Property, plant and equipment	**945**	4,308
Intangible asset	**1,931**	4,503
	2,876	8,811

13. Events After the Reporting Period

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Industry Review

From 2011 to early 2012, despite the continued worsening of the European debt crisis and the far-off recovery of U.S. economy, the consumer market in Asia, led by China, was still booming. A number of brands thus shifted their development focus to the Asian market. Driven by the robust business growth in Asia, a number of high-end and luxury international brands still recorded significant growth in their 2011 sales. These brands have sped up expansion of their business with optimistic view on future growth, this has also boosted the manufacturing business of the Group, allowing us to achieve satisfactory growth.

Manufacturing Business

For the year ended 30 June 2012, the Group manufactured and sold a total of 15.5 million units of handbags, small leather goods and travel goods to its high-end and luxury brand customers. Benefiting from the continued expansion in the retail business of the high-end and luxury brand customers, orders for our products have grown stably, among which the sales volume and sales revenue increased by 26.1% and 33.4% respectively.

The following table sets forth the sales volume and revenue attributed to each category of the principal products of the manufacturing business of the Group for the year:

	For the year ended 30 June					
	2012		2011		Percentage change	
	Sales Volume (Units'000)	**Revenue (HK$'000)**	Sales Volume (Units'000)	Revenue (HK$'000)	Sales Volume (%)	Revenue (%)
Handbags	**11,847.1**	**2,888,068**	9,934.9	2,242,933	19.2	28.8
Small leather goods	**3,513.4**	**381,679**	2,293.6	224,047	53.2	70.4
Travel goods	**120.3**	**54,106**	50.1	25,563	140.1	111.7
Total	**15,480.8**	**3,323,853**	12,278.6	2,492,543	26.1	33.4

During the year under review, amidst global economic uncertainty, our brand customers became more stringent when identifying suppliers and sourcing products. Leveraging on our quality services and long-term track record, as well as high level craftsmanship, production technology and timely delivery of goods, the Group continued to win the loyalty and trust from our customers, establishing an even closer cooperation relationship. Ushering in opportunities under a challenging business environment, the Group has achieved an increase in orders from existing customers as well as adding several new renowned international brand customers, opening up new sources of revenue.

With the fierce competition in the global luxury-branded handbags industry, luxury brands target different consumers' tastes and market trends and keep launching new products. The Group possesses a wealth of experience and craftsmanship in the production of high-end leather goods, which enable us to meet the higher requirements of our customers as they developed further. During the year, we produced a wider variety of products with enhancement, and shared with our customers the fruits of the global development of high-end luxury brands.

In recent years, the rising costs of labor and raw materials are the common challenges faced by manufacturers in China. The Group has a stronger bargaining power leveraging on its goodwill, rich experience, leading craftsmanship, production technology in the industry. We have been using the margins-plus-cost pricing model and have effectively shifted the rising costs burden to customers during the year. The gross profit margin of our manufacturing business remained stable at 22.0%, representing a slight decrease of 0.2% over the previous year. In addition, the Group has actively controlled operation costs and operational efficiency by various strategies, which include improving the working environment of employees as well as focusing on retaining talents, in order to reduce cost incurred by staff turnover.

Retail business

With years of experience in the high-end luxury brand industry and the advantage of having our own production platform, we started selling TUSCAN'S branded handbag and small leather goods products through our own retail stores in the PRC and Hong Kong since 2011.

This fiscal year 2012 marked the start of our retail business, in which we have achieved encouraging results. For the year ended 30 June 2012, revenue generated from the retail business was HK$14.4 million; revenue from the second half was 174.1% more than the first half of the year. As at the end of the reporting period, the Group owned and operated 22 retail stores, among which 6 were stand-alone retail stores and 16 were department store concession counters. Our retail stores spanned across Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Chongqing, Chengdu, Wuhan and Yangzhou, with those in the Southwest regions recorded more remarkable performance.

As the Group's retail business is still in its ramp up period, we proactively conducted market study during the year to deepen our understanding on the market and consumers of fashion handbags and leather goods. We have also focused on building up a reliable sales team and structure as well as the selection and training of talents, in order to lay a solid foundation for the long-term development of TUSCAN'S brand.

During the year under review, we concentrated in establishing the retail network for TUSCAN'S brand in the second- and third-tier cities in the Southwest region. In order to achieve better cost effectiveness in a shorter period, department store concession counters were mainly opened up. We have also established a sales office in the Southwest region to develop a core team specifically for the market, in order to manage the local sales network in a more effective manner.

We adhered to the strategy of precise selection of retail points that match with the image and pricing of the TUSCAN'S brand. By successfully entering in a number of prestigious and large shopping malls and department stores last year, including Miramar Shopping Centre in Hong Kong, Yaohan in Shanghai and Pacific Department Store in Chongqing, we were able to enhance TUSCAN'S the brand image and reputation among consumers in these regions.

Through making good use of our own production platform and support from our strong Creative Center and Research and Development Center ("R&D Center"), we provide customers with fast moving product styles to increase the number of customers' visits and store traffic. Approximately 100 different designs and styles of handbags and small leather goods are generated each six-month season and four to six different designs and styles of handbags and small leather goods are introduced each month.

Given the growing demand for quality fashion handbags and small leather goods in the PRC and Hong Kong, the Group expects that the sales volume and revenue from the retail business will increase continuously.

Manufacturing facilities

For the year ended 30 June 2012, the Group's total production capacity was approximately 20.0 million units of handbags, small leather goods and travel goods, with a utilization rate of approximately 80% (for the year ended 30 June 2011: 16.1 million units and 76%). Compared with the previous fiscal year, the number of the Group's production lines increased from 191 to 215, which further improved the Group's production scale and efficiency and enabled us to better meet the ever-changing demands of our customers.

To cope with the increasing orders from our customers, the Group is now constructing the second expansion phase of the Yingde manufacturing facility. 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. It is estimated that the total production capacity of the Group can be increased by 40% upon the completion of the construction in 2014. In addition, the Group upgraded its machinery and equipment during the year in order to enhance the operational efficiency.

These investments were 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 in-house Creative Center and R&D Center of the Group offer customers one-stop design, research, development and manufacturing solutions, which helps the Group to service its customers in response to fast changing consumer preferences and fashion trends as well as to develop and manufacture products with complex designs.

By offering customers with value-added services and high level of craftsmanship, we will strengthen our competitive edge in the industry, which in turn will attract and retain leading international high-end and luxury brands as our customers.

The Use of Proceeds from Initial Public Offering

The Group raised HK$718.2 million from the listing in December 2011. For the year ended 30 June 2012, approximately HK$8.0 million was used to pay for part of the construction of the second phase expansion of the Yingde manufacturing facility, approximately HK$13.6 million was used for the purchase and upgrade of machinery and equipment, approximately HK$17.1 million was used for the expansion of the retail business of TUSCAN'S brand and approximately HK$71.8 million was used for general corporate purpose.

Prospect

Looking ahead, the Group expects that the spreading of the European debt crisis and the continued slowdown of the global economy will continuously weaken consumer confidence, and its impact on the luxury goods industry will gradually surface. As affected by the weakened export to Europe and the United States, China's GDP saw a year-on-year increase of only 7.6% in the second quarter. Albeit a far better GDP growth than other countries, domestic consumption has already slowed down in China, signaling a mild economic growth of the full year. The Group expect that the coming year will be challenging, and the Group remains conservatively optimistic about the industry prospects.

Facing the challenging operating environment, the Group will consolidate its market leading position leveraging on our existing advantages in the luxury handbags and small leather goods industry. We will actively strengthen our relationship with the existing brand customers through enhancing various value-added services. Meanwhile, the Group will actively introduce more international high-end and luxury brand to our product portfolio, and increase the proportion production of high-end products. More efforts will also be made to expand the manufacturing business into new segments such as travel goods and luxury bags and small leather goods for men, so as to diversify our revenue streams. In view of the uncertainties in the future operating environment, and with the objective to maximize production efficiency, the Group will make considerable adjustment on the investment for expansion of the production lines. In the coming year, the Group will reserve approximately HK$80 million for the second phase expansion of our manufacturing facility in Yingde, which will increase our total annual production capacity by about 10% to 22 million units by the end of 2013, approximately HK$25 million for the purchase of manufacturing facilities and upgrade of equipment and approximately HK$25 million for the expansion of the retail business in relation to TUSCAN'S brand.

Meanwhile, we have been taking steps to expand the footholds of our retail business. Through the expansion of sales network, TUSCAN'S brand has built a sound reputation in the Southwest markets. In addition to reinforcing the core management team in the Southwest region and increasing the point of sales, we also plan to set up more established TUSCAN'S brand image stores. As our retail business becomes mature, we will extend our footprints to new domestic markets based on our successful experience and operating model in the existing markets. Eastern China will be another key market of our retail business. The management is of the opinion that the higher consumption power in cities such as Nanjing and Hangzhou in Eastern China, and the chic and trendy style of the younger generation, are in line with the development of TUSCAN'S brand. We are actively studying an appropriate operating model and marketing strategies for the markets in the region, in order to extend the influence of TUSCAN'S brand in China's market.

Despite the adverse impact from the slowdown of economic growth around the world and China in short term, we still aim at opening a total of 100 stores in three years though we will adjust the pace of the opening subject to the market condition. We will focus on the expansion of quality retail network instead of the growth of the number of stores, in a bid to maintain an up-to-standard quality operation. We will actively identify other outstanding leather goods brands with growth potential and accelerate our business development through mergers and acquisitions whenever appropriate. With years of experience in the luxury branded handbag and small leather goods manufacturing business, Sitoy Group possesses the craftsmanship and capabilities in the production of various luxury branded handbag and small leather goods. The long-term development strategy of the Group is to strengthen our position as a leading outsourced manufacturer of luxury handbags and small leather goods, develop our own leather goods brand and strive to expand the retail business with own production and sound sales strategy.

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 years indicated, the revenue by operating segment and product type.

	For the year ended 30 June				
	2012		2011		
Manufacturing	**HK$'000**	**Percentage**	HK$'000	Percentage	Percentage change
Handbags	**2,888,068**	**86.5%**	2,242,933	90.0%	28.8%
Small leather goods	**381,679**	**11.5%**	224,047	9.0%	70.4%
Travel goods	**54,106**	**1.6%**	25,563	1.0%	111.7%
Subtotal	**3,323,853**	**99.6%**	2,492,543	100.0%	33.4%
Retail	**14,388**	**0.4%**	729	0.0%	1,873.7%
Total	**3,338,241**	**100.0%**	2,493,272	100.0%	33.9%

The revenue increased by 33.9% to HK$3,338.2 million for the year ended 30 June 2012 from HK$2,493.3 million for the year ended 30 June 2011. This increase was primarily due to an increase in the sales volumes of products to 15.5 million units for the year ended 30 June 2012 from 12.3 million units for the year ended 30 June 2011 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 labor 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 year ended 30 June			
	2012		2011	
	HK$'000	**Percentage of revenue**	HK$'000	Percentage of revenue
Cost of raw materials	**1,991,996**	**59.7%**	1,513,944	60.7%
Direct labor costs	**538,666**	**16.1%**	382,406	15.3%
Manufacturing overheads	**66,196**	**2.0%**	43,802	1.8%
Total	**2,596,858**	**77.8%**	1,940,152	77.8%

Cost of sales of the Group increased by 33.8% to HK$2,596.9 million for the year ended 30 June 2012 from HK$1,940.2 million for the year ended 30 June 2011. This increase was primarily due to an increase in sales volume for the year ended 30 June 2012 compared to the year ended 30 June 2011. The decrease in the cost of raw materials to 59.7% for the year ended 30 June 2012 from 60.7% for the year ended 30 June 2011 as a percentage of revenue was primarily due to continued improvements in the product design and development capabilities. Direct labor costs increased to 16.1% for the year ended 30 June 2012 from 15.3% for the year ended 30 June 2011 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 34.0% to HK$741.4 million for the year ended 30 June 2012 from HK$553.1 million for the year ended 30 June 2011, which was in line with the revenue growth during the same year. Gross profit margin remained stable at 22.2% for the year ended 30 June 2012 and 2011 respectively.

Other income and gains

Other income and gains decreased to HK$24.6 million for the year ended 30 June 2012 from HK$27.4 million for the year ended 30 June 2011. The decrease was primarily due to a HK$8.2 million decrease in net exchange gains, which partially offset by a HK$4.2 million increase in interest income.

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, customs clearance fees and other selling expenses.

Selling and distribution costs increased by 74.6% to HK$97.6 million for the year ended 30 June 2012 from HK$55.9 million for the year ended 30 June 2011. The start of the retail business in February 2011 resulted in a HK$21.2 million increase in selling and distribution costs in current year due to expansion of retail business. Besides, the increase in sales volumes resulted in a HK$14.0 million increase in sales and marketing staff remuneration and benefits for the manufacturing business, as well as a HK$5.4 million increase in transportation costs for transporting finished goods to their port of shipment.

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 27.3% to HK$200.6 million for the year ended 30 June 2012 from HK$157.5 million for the year ended 30 June 2011, primarily attributable to one-off initial public offering expenses incurred. Excluding initial public offering expenses of HK$16.1 million and HK$10.9 million for the year ended 30 June 2012 and 2011 respectively, administrative expenses increased by 25.8% during the year under review, which was in line with the revenue and gross profit growth of 33.9% and 34.0% respectively.

Other expenses

Other expenses increased to HK$3.0 million for the year ended 30 June 2012 from HK$0.4 million for the year ended 30 June 2011, primary attributable to an expense of HK$1.2 million incurred for obtaining the properties ownership certificates in Dongguan and a loss of HK$1.2 million on disposal of property, plant and equipment.

Finance costs

Finance costs decreased to HK$2.0 million for the year ended 30 June 2012 from HK$3.8 million for the year ended 30 June 2011. This decrease was primarily due to a decrease in bank borrowings in fiscal year 2012 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 year ended 30 June 2012 and 2011 on the estimated assessable profits arising in Hong Kong during the relevant year.

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 17.6% for the year ended 30 June 2012 (year ended 30 June 2011: 16.7%).

Profit for the year

Profit for the year increased by HK$78.6 million to HK$381.0 million for the year ended 30 June 2012 from HK$302.4 million for the year ended 30 June 2011. As a percentage of revenue, profit decreased to 11.4% for the year ended 30 June 2012 from 12.1% for the year ended 30 June 2011, primarily due to operating loss situation of the retail business and one-off initial public offering expenses incurred.

Capital expenditure

For the year ended 30 June 2012, the capital expenditure of the Group amounted to HK$64.0 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

Save for the reorganisation of the Group for preparation of the listing, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the year ended 30 June 2012.

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 30 June 2012 amounted to HK$746.8 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 nil as at 30 June 2012 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 30 June 2012 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 year ended 30 June 2012, 99.56% (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 39% (year ended 30 June 2011: 38%) of costs were denominated in the units' functional currency.

As at 30 June 2012, the Group had five foreign exchange forward contracts to purchase US$397,200, US$1,574,400, US$131,100, US$766,200 and US$74,700, respectively, using Euro and no other financial derivatives outstanding. The contracted exchange rates of the foreign exchange forward contracts were US$1.324, US$1.312, US$1.311, US$1.277 and US$1.245, respectively, to one Euro, and the expiration dates of these contracts are 20 July 2012, 6 August 2012, 17 September 2012, 22 October 2012 and 5 November 2012, respectively.

Pledge of Assets

As at 30 June 2012, no property, plant and equipment, and available-for-sale investment were pledged as security for banking facilities available to the Group (30 June 2011: HK$11.3 million).

Inventory turnover days

Inventory turnover days decreased to 48 days for the year ended 30 June 2012 (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 366 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 decrease in inventory turnover days was due to that the Group's has closely monitored the stock level.

Trade receivables turnover days

Trade receivables turnover days remained stable at 30 days for the year ended 30 June 2012 (calculated as the average of the beginning and ending trade receivables balances for the year, divided by revenue for the year and multiplied by 366 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, no provision for impairment is necessary as at 30 June 2012 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 to 35 days for the year ended 30 June 2012 (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 366 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). The decrease in trade payables turnover days was mainly due to that the Group has strong cash position after initial public offer which leaded to prompt settlement of trade payables. Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements

As at 30 June 2012, the Group did not have any material off-balance sheet commitments and arrangements or contingencies.

EMPLOYEES

As at 30 June 2012, the Group had over 15,000 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.

SHARE OPTION SCHEME

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. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from the date of its adoption to 30 June 2012. There were no outstanding share options under the Share Option Scheme as at 30 June 2012.

DIVIDEND AND RECORD DATE

The Directors recommended the payment of a final dividend of HK20 cents (2011: nil) per share for the year ended 30 June 2012 to the shareholders whose names appeared on the register of members of the Company after the close of business on 22 November 2012. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited (the "Hong Kong Branch Registrar"), at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 22 November 2012. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on 16 November 2012 (the "2012 AGM") will be paid on or before 7 December 2012.

RECORD DATE FOR 2012 AGM

The record date for determining shareholders of the Company who will be entitled to attend the 2012 AGM will be after the close of business on 13 November 2012. In order to be eligible to attend and vote at the 2012 AGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong Branch Registrar at the address stated above, for registration not later than 4:30 p.m. on 13 November 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 ("CGP Code") (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (the "New 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 final results of the Group for the year ended 30 June 2012.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for the shareholders of the Company. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the shareholders of the Company.

The Board adopted a set of corporate governance practices ("CG Practices") which aligns with or is more restrictive than the requirements set out in the CGP Code and the New CG Code set out in Appendix 14 of the Listing Rules. The CG Practices were updated by the Board on 26 March 2012 to reflect the amendments to the CGP Code which became effective from 1 April 2012. The Board is of the view that the Company has complied with the code provisions set out in the CGP Code for the period from the Listing Date to 31 March 2012 and the New CG Code for the period from 1 April 2012 to 30 June 2012.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 30 June 2012.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than those in the Model Code.

No incident of non-compliance with these guidelines by the relevant employees was noted by the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the websites of the Company (www.sitoy.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report for the year ended 30 June 2012 will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Sitoy Group Holdings Limited
Yeung Michael Wah Keung
Chairman

Hong Kong, 17 September 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.