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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2013

Revenue increased by 0.7% over the same period in 2012 to approximately HK$3,360.3 million.

Gross profit increased by 5.8% over the same period in 2012 to approximately HK$784.5 million.

Profit attributable to the owners of the Company for the period increased by 5.1% over the same period in 2012 to approximately HK$400.5 million.

Basic earnings per share attributable to the ordinary equity holders of the Company for the period decreased by approximately 6.3% over the same period in 2012 to HK39.99 cents.

The board (the "**Board**") of directors (the "**Directors**") of Sitoy Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (together, the "**Group**") for the year ended 30 June 2013.

CONSOLIDATED INCOME STATEMENT

		Year ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,360,314**	3,338,241
Cost of sales		**(2,575,782)**	(2,596,858)
Gross profit		**784,532**	741,383
Other income and gains	*4*	**43,707**	24,554
Selling and distribution expenses		**(119,351)**	(97,632)
Administrative expenses		**(210,217)**	(200,576)
Other expenses		**(9,516)**	(3,017)
Finance costs	*6*	**–**	(2,046)
PROFIT BEFORE TAX	*5*	**489,155**	462,666
Income tax expense	*7*	**(88,658)**	(81,658)
PROFIT FOR THE YEAR		**400,497**	381,008
Attributable to:			
Owners of the Company		**400,497**	381,008
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*9*	**39.99**	42.70

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**400,497**	381,008
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	**47**	(33)
Exchange differences on translation of foreign operations	**21,674**	(5,711)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**21,721**	(5,744)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**422,218**	375,264
Attributable to:		
Owners of the Company	**422,218**	375,264

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 HK$'000	As at 30 June 2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**387,399**	320,473
Prepaid land lease payments		**20,309**	20,290
Intangible asset		**4,140**	4,140
Deferred tax assets		**13,142**	15,751
Prepayments		**10,345**	350
Total non-current assets		**435,335**	361,004
CURRENT ASSETS			
Inventories		**382,236**	380,609
Trade receivables	*10*	**373,924**	304,627
Prepayments, deposits and other receivables		**62,057**	55,275
Available-for-sale investment		**9,623**	9,576
Time deposit with original maturity of more than three months		**–**	60,000
Pledged time deposit		**12,000**	–
Cash and cash equivalents		**834,697**	746,798
Total current assets		**1,674,537**	1,556,885
CURRENT LIABILITIES			
Trade payables	*11*	**192,518**	182,586
Other payables and accruals		**107,707**	82,272
Tax payable		**66,965**	74,097
Total current liabilities		**367,190**	338,955
NET CURRENT ASSETS		**1,307,347**	1,217,930
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,742,682**	1,578,934
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,928**	–
Total non-current liabilities		**1,928**	–
Net assets		**1,740,754**	1,578,934
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**100,153**	100,153
Reserves		**1,640,601**	1,478,781
Total equity		**1,740,754**	1,578,934

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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. In the opinion of the Directors, the Company's controlling shareholders are Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai.

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.

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 30 June 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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.

IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

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 this 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 2013

	Manufacturing *HK$'000*	Retail *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**3,306,663**	**53,651**	**3,360,314**
Intersegment sales	**6,040**	**–**	**6,040**
	3,312,703	**53,651**	**3,366,354**
Reconciliation:			
Elimination of intersegment sales			**(6,040)**
Total revenue			**3,360,314**
Segment results	**510,148**	**(19,757)**	**490,391**
Reconciliation:			
Corporate and other unallocated expenses			**(1,236)**
Profit before tax			**489,155**
Segment assets	**1,842,046**	**48,179**	**1,890,225**
Reconciliation:			
Elimination of intersegment receivables			**(47,209)**
Corporate and other unallocated assets			**266,856**
Total assets			**2,109,872**
Segment liabilities	**357,150**	**58,332**	**415,482**
Reconciliation:			
Elimination of intersegment payables			**(47,209)**
Corporate and other unallocated liabilities			**845**
Total liabilities			**369,118**
Other segment information:			
Depreciation of items of property, plant and equipment	**30,363**	**3,931**	**34,294**
Amortization of prepaid land lease payments	**451**	**–**	**451**
Write-down of inventories to net realizable value	**10,597**	**–**	**10,597**
Operating lease rentals	**7,796**	**20,269**	**28,065**
Capital expenditure*	**89,811**	**3,873**	**93,684**

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

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 and an intangible asset during the year.

Geographical information

(a) *Revenue from external customers*

	Year ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
North America	**2,220,238**	2,270,278
Europe	**618,161**	608,570
Mainland China, Hong Kong, Macau and Taiwan	**338,314**	293,697
Other Asian countries	**181,952**	158,097
Others	**1,649**	7,599
	3,360,314	3,338,241

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

(b) *Non-current assets*

	As at	As at
	30 June 2013	30 June 2012
	HK$'000	*HK$'000*
Mainland China and Hong Kong	422,193	345,253

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 2013, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$1,442,516,000 and HK$817,667,000 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 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.

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	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**3,360,314**	3,338,241
Other income and gains		
Net sample income and compensation from customers and suppliers	**32,320**	11,303
Interest income	**5,532**	4,421
Government grants	**5,181**	4,941
Others	**674**	487
Exchange gains, net	**–**	3,402
	43,707	24,554

5. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**2,575,782**	2,596,858
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**723,598**	665,908
– Pension scheme contributions	**21,283**	16,621
	744,881	682,529
Depreciation of items of property, plant and equipment	**34,294**	27,859
Amortization of prepaid land lease payments	**451**	441
Operating lease rentals	**28,065**	17,674
Write-down of inventories to net realizable value	**10,597**	7,625
Loss on disposal of items of property, plant and equipment	**603**	1,247
Initial public offering costs	**–**	16,117
Auditors' remuneration	**2,759**	2,850
Exchange losses/(gains), net	**8,499**	(3,402)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**–**	2,046

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

The provision for PRC corporate income tax ("CIT") is based on a statutory rate of 25% (year ended 30 June 2012: 25%) of the assessable profit of the subsidiaries in Mainland China as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Sitoy (Yingde) Leather Products Co., Ltd. ("Sitoy Yingde") was entitled to a 50% reduction in CIT for the three years from 1 January 2010 to 31 December 2012. Therefore, the applicable income tax rate of Sitoy Yingde is 12.5% from 1 January 2010 to 31 December 2012 and 25% from 1 January 2013.

The major components of income tax expense are as follows:

	Year ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**60,860**	37,141
Adjustments in respect of current income tax of previous years	**(54)**	–
Current – Mainland China		
Charge for the year	**23,426**	48,589
Adjustments in respect of current income tax of previous years	**(408)**	1,339
Deferred tax	**4,834**	(5,411)
Total tax charge for the year	**88,658**	81,658

8. DIVIDENDS

	Year ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interim – 2013: HK6 cents per ordinary share (2012: nil)	**60,092**	–
Proposed final – 2013: HK16 cents per ordinary share (2012: HK20 cents per ordinary share) (i)	**160,245**	200,306
	220,337	200,306

Note:

(i) On 16 September 2013, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2013 of HK16 cents (year ended 30 June 2012: HK20 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2013 subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year ended 30 June 2013 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (year ended 30 June 2012: 892,223,738) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**400,497**	381,008

	Year ended 30 June	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,001,532,000**	892,223,738

No adjustment has been made to the basic earnings per share presented for the years ended 30 June 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during those years.

10. TRADE RECEIVABLES

	As at 30 June 2013	As at 30 June 2012
	HK$'000	*HK$'000*
Group		
Trade receivables	**373,924**	304,627
Impairment	**–**	–
	373,924	304,627

The Group's trading terms with its customers are mainly on credit. The Group grants different credit periods to customers. The credit terms range from telegraphic transfers before shipment and letters of credit at sight to letters of credit and telegraphic transfers within 20 to 90 days. 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 2013	As at 30 June 2012
	HK$'000	*HK$'000*
Group		
Within 90 days	**370,327**	281,728
91 to 180 days	**862**	22,899
Over 180 days	**2,735**	–
	373,924	304,627

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 30 June 2013	As at 30 June 2012
	HK$'000	*HK$'000*
Group		
Neither past due nor impaired	**344,502**	270,879
Past due but not impaired:		
Less than 90 days	**26,633**	33,748
91 to 180 days	**64**	–
Over 180 days	**2,725**	–
	373,924	304,627

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. TRADE PAYABLES

	As at 30 June 2013 *HK$'000*	As at 30 June 2012 *HK$'000*
Group		
Trade payables	**192,518**	182,586

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 2013 *HK$'000*	As at 30 June 2012 *HK$'000*
Group		
Within 90 days	**179,049**	179,830
91 to 180 days	**5,789**	2,161
181 to 365 days	**7,205**	595
Over 365 days	**475**	–
	192,518	182,586

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. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

Company

	As at 30 June 2013 *HK$'000*	As at 30 June 2012 *HK$'000*
Guarantees given to banks in connection with facilities granted to:		
Subsidiaries	**390,000**	340,000

13. COMMITMENTS

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

	As at 30 June 2013 *HK$'000*	As at 30 June 2012 *HK$'000*
Group		
Contracted, but not provided for:		
Property, plant and equipment	**26,174**	945
Intangible asset	**2,022**	1,931
	28,196	2,876

14. 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

Manufacturing Business

The Group mainly engages in the manufacturing of handbags, small leather goods and travel goods to its high-end and luxury brand clients. For the year ended 30 June 2013, due to sluggish of global economy, value of product orders flatted on a year-on-year basis, with sales revenue dropped slightly by 0.5%.

During the year, overshadowed by the global economic uncertainty, international brands became more stringent when choosing their suppliers and sourcing products. The Group maintained loyalty and trust from its key clients, and established even closer business relationships with them through its quality services, long track record, sophisticated craftsmanship, advanced production technology and punctual delivery. It also found opportunities in the challenging operating environment as it developed new sources of revenue by obtaining new international brand clients, while maintaining a stable volume of orders from existing clients.

In order to stay viable in a highly competitive global luxury-branded handbag industry, luxury brand owners kept launching new products to accommodate different consumers' tastes and market trends.

The Group possesses rich experience and sophisticated craftsmanship in the production of high-end leather goods, and is thus able to meet the higher requirements of its clients as they develop their businesses further. During the year, the Group produced a wider variety of higher-class products, sharing fruits of the global development of high-end luxury brands.

Retail business

The Group's retail business achieved encouraging results during the year, with revenue surging 272.9% year on year to HK$53.6 million. As at the end of the reporting period, the Group owned and operated 45 retail outlets, among which eight were stand-alone retail stores and 37 were concession counters in department stores. Its retail network covered Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Chongqing, Chengdu, Hubei, Yunnan, Anhui, Zhejiang, Jiangsu, Inner Mongolia and Shanxi. The retail outlets in Southwest China and Eastern China regions recorded remarkable performance.

During the year, the Group focused on establishing its TUSCAN'S retail network in the second and third-tier cities in Southwest, Eastern and Northern China. In order to achieve better cost effectiveness in a shorter period, the Group expanded the retail network by mainly opening concession counters in department stores.

Supported by its own production facilities, Creative Centre and Research and Development Centre ("R&D Centre"), the Group was able to provide customers with products of fast changing styles, thus increasing the frequency of customer's purchases and visitor traffic at its retail outlets. The Group produces handbags and small leather goods in approximately 100 different designs and styles every six months, and comes up with four to six new designs and styles for the handbags and small leather goods each month. Given the growing demand for fashionable and quality handbags and small leather goods in mainland China and Hong Kong, the Group expects the sales volume and revenue from its retail business to increase continuously.

Manufacturing facilities

For the year ended 30 June 2013, the Group operated more than 200 production lines and maintained stable production capacity. The Group's production scale and efficiency enabled it to meet its customers' dynamic requirements.

The second phase expansion of the Yingde manufacturing facility is in progress. When the construction is completed, the Group will not only be able to increase its overall production capacity but also expand its product range. In addition, the Group upgraded its machinery and equipment during the year in order to enhance the operational efficiency.

These investments were funded with the proceeds from the initial public offering.

Product Research, Development and Design

The Group's in-house Creative Centre and R&D Centre offer its clients a one-stop solution for design, research, development and manufacturing, which helps it to adapt promptly to the fast-changing consumer preferences and fashion trends. They also enable the Group to develop and manufacture products with complex designs.

By offering clients with value-added services and first-rate craftsmanship, the Group will be able to enhance its competitiveness in the industry, and thus attract and retain leading international high-end and luxury brands as its clients.

The Use of Proceeds from Initial Public Offering ("IPO")

The Group raised HK$718.2 million from its listing in December 2011. The following table sets forth the status of use of proceeds from IPO:

	IPO proceeds		Used up to 30 June 2013	Unused balance
	HK$' million	*Percentage*	*HK$' million*	*HK$' million*
Second phase of Yingde manufacturing facility	251.4	35%	65.2	186.2
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	30.8	112.8
Expansion of retail business	251.4	35%	41.0	210.4
Working capital	71.8	10%	71.8	–
	718.2	100%	208.8	509.4

Prospect

Looking ahead, with the uncertainties in the worldwide economy and moderate pace of the economic growth in China, the Group expects the coming year will be unstable. To gear up for the difficult market conditions, the Group will actively introduce more international high-end and luxury brands to its client portfolio, and raise the proportion of high-end products in production. It will continue its manufacturing business to a wider product range in order to diversify its revenue streams. In the meantime, the Group has invested in its Yingde manufacturing facility for developing luggage handle system and hard case which will further diversify the product range. In view of the uncertainties in the operating environment, the Group will adjust the pace of production capacity expansion with an aim of maximizing production efficiency.

For the retail business, TUSCAN'S brand has built a sound reputation in the Southwestern and Eastern China. In addition to reinforcing the core management team in the Southwestern China and increasing the point of sales, the Group plans to set up more established TUSCAN'S brand image stores. It will extend its footprints to new domestic markets by replicating the success of its operating model it has already achieved in the existing markets. Northern and Eastern China will be the other key markets of our retail business. The management is of the opinion that TUSCAN'S development strategy fits in with the higher consumption power in the cities of Northern China and the middle class's fashion style.

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 year ended 30 June				
	2013		2012		
Manufacturing	***HK$'000***	***Percentage***	*HK$'000*	*Percentage*	*Percentage change*
Handbags	**2,781,481**	**82.8%**	2,888,068	86.5%	(3.7%)
Small leather goods	**426,203**	**12.7%**	381,679	11.5%	11.7%
Travel goods	**98,979**	**2.9%**	54,106	1.6%	82.9%
Subtotal	**3,306,663**	**98.4%**	3,323,853	99.6%	(0.5%)
Retail	**53,651**	**1.6%**	14,388	0.4%	272.9%
Total	**3,360,314**	**100.0%**	3,338,241	100.0%	0.7%

The revenue slightly increased by 0.7% to HK$3,360.3 million for the year ended 30 June 2013 from HK$3,338.2 million for the year ended 30 June 2012. This increase was primarily due to further expansion of retail business.

Cost of sales

Costs of sales of the Group slightly decreased by 0.8% to HK$2,575.8 million for the year ended 30 June 2013 from HK$2,596.9 million for the year ended 30 June 2012. This decrease was primarily due to tighter cost control.

Gross profit and gross profit margin

Gross profit increased by 5.8% to HK$784.5 million for the year ended 30 June 2013 from HK$741.4 million for the year ended 30 June 2012. Gross profit margin has increased to 23.3% for the year 30 June 2013 compared with 22.2% for the year ended 30 June 2012 which was mainly due to tighter cost control in manufacturing business as well as further expansion of retail business which contributed higher gross profit margin.

Selling and distribution expenses

Selling and distribution expenses increased by 22.2% to HK$119.4 million for the year ended 30 June 2013 from HK$97.6 million for the year ended 30 June 2012. The increase was primarily due to further expansion of retail business.

Administrative expenses

Administrative expenses increased by 4.8% to HK$210.2 million for the year ended 30 June 2013 from HK$200.6 million for the year ended 30 June 2012. The increase was primarily due to further expansion of retail business.

Income tax expenses

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 2013 and 2012 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, is an FIE that qualifies for this 50% reduced tax rate until 31 December 2012. Therefore, with effective from 1 January 2013, the statutory tax rate is 25%.

The effective tax rate of the Group was 18.1% for the year ended 30 June 2013 (30 June 2012: 17.6%).

Profit for the year

Profit for the year increased by HK$19.5 million to HK$400.5 million for the year ended 30 June 2013 from HK$381.0 million for the year ended 30 June 2012. As a percentage of revenue, profit increased to 11.9% for the year ended 30 June 2013 from 11.4% for the year ended 30 June 2012.

Capital expenditure

For the year ended 30 June 2013, the capital expenditure of the Group amounted to HK$93.7 million, primarily related to the construction of Yingde second phase manufacturing facilities, upgrading existing manufacturing facilities in Dongguan and Yingde as well as expansion of retail business.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the year ended 30 June 2013.

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 2013 amounted to HK$834.7 million (30 June 2012: 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 was nil as at 30 June 2013 (30 June 2012: nil). No gearing ratio (calculated as net debt divided by total capital plus net debt) as at 30 June 2013 is presented because the Group has no outstanding bank and other borrowings (30 June 2012: not applicable).

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 2013, 98.40% (30 June 2012: 99.56%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 39% (30 June 2012: 39%) of costs were denominated in the units' functional currency.

As at 30 June 2013, the Group had one foreign exchange forward contract to purchase US$1.0 million in total, using Euro and no other financial derivatives outstanding. The contract will be matured in late September 2013.

Pledge of Assets

As at 30 June 2013, HK$12.0 million of time deposit and HK$9.6 million of available-for-sale investment were pledged as security for banking facilities available to the Group (30 June 2012: HK$1.6 million of property, plant and equipment and HK$9.6 million of available-for-sale investment).

Inventory turnover days

Inventory turnover days increased to 55 days for the year ended 30 June 2013 from 48 days for the year ended 30 June 2012. The inventory turnover days is 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. Since the turnover in fiscal year 2010/2011 was around 3/4 of prior year and current year, lower inventory level was kept as at 30 June 2011. It leaded to lower inventory turnover days for the year ended 30 June 2012.

Trade receivables turnover days

Trade receivables turnover days increased to 37 days for the year ended 30 June 2013 compared with 30 days for the year ended 30 June 2012. The increase in turnover days was mainly due to the turnover in June 2013 being higher than the average turnover throughout the year. 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 30 June 2013 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 remained stable at 36 days for the year ended 30 June 2013 compared with 35 days for the year ended 30 June 2012. Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 30 June 2013, the Group did not have any material off-balance sheet commitments and arrangements. Save as disclosed in note 12 to the financial statements, the Group did not have any contingent liabilities as at 30 June 2013.

EMPLOYEES

As at 30 June 2013, 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 customers, such as minimum wage levels and maximum working hours. Moreover, the Group provides staff quarters for most of 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 centre 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 centre 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.

DIVIDEND AND RECORD DATE

The Directors recommended the payment of a final dividend of HK16 cents (30 June 2012: HK20 cents) per share for the year ended 30 June 2013 to the shareholders whose names appeared on the register of members of the Company at the close of business on 25 November 2013. 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 25 November 2013. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on 18 November 2013 (the "2013 AGM") will be paid on or before 13 December 2013.

RECORD DATE FOR 2013 AGM

The record date for determining shareholders of the Company who will be entitled to attend the 2013 AGM will be at the close of business on 13 November 2013. In order to be eligible to attend and vote at the 2013 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 2013.

DIRECTORS' AND RELEVANT EMPLOYEES' 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 Rules Governing the Listing of Securities on the Stock Exchange (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 year ended 30 June 2013.

Relevant employees who are likely to be in possession of insider 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.

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 which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the year ended 30 June 2013.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. 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*), 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 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 30 June 2013.

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 2013 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, 16 September 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, 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.