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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2014

Revenue increased by 14.8% over the same period in 2013 to approximately HK$3,856.8 million.

Gross profit increased by 27.9% over the same period in 2013 to approximately HK$1,003.5 million.

Profit attributable to the owners of the Company for the period increased by 25.9% over the same period in 2013 to approximately HK$504.3 million.

Basic earnings per share attributable to the ordinary equity holders of the Company for the period increased by approximately 25.9% over the same period in 2013 to HK50.35 cents.

The board (the "Board") of directors (the "Directors") of Sitoy Group Holdings Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together, the "Group") for the year ended 30 June 2014.

CONSOLIDATED INCOME STATEMENT

		Year ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,856,779**	3,360,314
Cost of sales		**(2,853,270)**	(2,575,782)
Gross profit		**1,003,509**	784,532
Other income and gains	*4*	**19,040**	43,707
Selling and distribution expenses		**(132,769)**	(119,351)
Administrative expenses		**(256,492)**	(210,217)
Other expenses		**(13,034)**	(9,516)
PROFIT BEFORE TAX	*5*	**620,254**	489,155
Income tax expense	*6*	**(116,000)**	(88,658)
PROFIT FOR THE YEAR		**504,254**	400,497
Attributable to:			
Owners of the Company		**504,254**	400,497
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*8*	**50.35**	39.99

Details of the dividends payable and proposed for the year are disclosed in note 7 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
PROFIT FOR THE YEAR		**504,254**	400,497
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Changes in fair value		**36**	47
Reclassification adjustments for loss in the consolidated income statement – loss on disposal	*5*	**364**	–
Exchange differences on translation of foreign operations		**(4,530)**	21,674
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(4,130)**	21,721
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**500,124**	422,218
Attributable to:			
Owners of the Company		**500,124**	422,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2014** *HK$'000*	As at 30 June 2013 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**428,837**	387,399
Prepaid land lease payments		**19,924**	20,309
Intangible asset		**4,140**	4,140
Deferred tax assets		**17,084**	13,142
Prepayments		**108**	10,345
Total non-current assets		**470,093**	**435,335**
CURRENT ASSETS			
Inventories		**299,024**	382,236
Trade receivables	*9*	**229,307**	373,924
Prepayments, deposits and other receivables		**66,994**	62,057
Available-for-sale investment		**–**	9,623
Pledged time deposits		**22,929**	12,000
Cash and cash equivalents		**1,362,362**	834,697
Total current assets		**1,980,616**	1,674,537
CURRENT LIABILITIES			
Trade payables	*10*	**202,661**	192,518
Other payables and accruals		**120,256**	107,707
Tax payable		**147,295**	66,965
Total current liabilities		**470,212**	367,190
NET CURRENT ASSETS		**1,510,404**	1,307,347
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,980,497**	1,742,682
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**17**	1,928
Total non-current liabilities		**17**	1,928
Net assets		**1,980,480**	1,740,754
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**100,153**	100,153
Reserves		**1,880,327**	1,640,601
Total equity		**1,980,480**	1,740,754

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 address 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, sale and retail of handbags, small leather goods and travel goods.

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 2014. 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 POLICIES AND DISCLOSURES

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

IFRS 10	*Consolidated Financial Statements*
IFRS 13	*Fair Value Measurement*

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in 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 2014		
	Manufacturing	**Retail**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	**3,777,419**	**79,360**	**3,856,779**
Intersegment sales	**3,499**	**–**	**3,499**
	3,780,918	**79,360**	**3,860,278**
Reconciliation:			
Elimination of intersegment sales			**(3,499)**
Total revenue			**3,856,779**
Segment results	**634,642**	**(13,806)**	**620,836**
Reconciliation:			
Corporate and other unallocated expenses			**(582)**
Profit before tax			**620,254**
Segment assets	**1,911,451**	**102,553**	**2,014,004**
Reconciliation:			
Elimination of intersegment receivables			**(40,722)**
Corporate and other unallocated assets			**477,427**
Total assets			**2,450,709**
Segment liabilities	**463,354**	**46,928**	**510,282**
Reconciliation:			
Elimination of intersegment payables			**(40,722)**
Corporate and other unallocated liabilities			**669**
Total liabilities			**470,229**
Other segment information:			
Depreciation of items of property, plant and equipment	**38,602**	**5,145**	**43,747**
Amortization of prepaid land lease payments	**457**	**–**	**457**
Write-down of inventories to net realizable value	**24,371**	**1,999**	**26,370**
Operating lease rentals	**9,053**	**28,097**	**37,150**
Capital expenditure*	**79,265**	**5,863**	**85,128**

	Year ended 30 June 2013		
	Manufacturing	Retail	Total
	HK$'000	*HK$'000*	*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 represents of additions to property, plant and equipment during the year.

Geographical information

(a) Revenue from external customers

	Year ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
North America	**2,133,644**	2,220,238
Europe	**775,121**	618,161
Mainland China, Hong Kong, Macau and Taiwan	**331,052**	338,314
Other Asian countries	**487,932**	181,952
Others	**129,030**	1,649
	3,856,779	3,360,314

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 2014	As at 30 June 2013
	HK$'000	*HK$'000*
Mainland China and Hong Kong	**453,009**	422,193

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 2014, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$1,960,612,000 and HK$674,572,000 which 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 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 which 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	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**3,856,779**	3,360,314
Other income and gains		
Net sample income and compensation from customers and suppliers	**1,619**	32,320
Interest income	**10,071**	5,532
Government grants	**4,478**	5,181
Gain on disposal of a subsidiary	**2,478**	–
Others	**394**	674
	19,040	43,707

5. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**2,853,270**	2,575,782
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**814,377**	723,598
– Pension scheme contributions	**20,031**	21,283
	834,408	744,881

	Year ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Depreciation of items of property, plant and equipment	**43,747**	34,294
Amortization of prepaid land lease payments	**457**	451
Operating lease rentals	**37,150**	28,065
Write-down of inventories to net realizable value	**26,370**	10,597
Loss on disposal of items of property, plant and equipment	**700**	603
Auditors' remuneration	**2,987**	2,759
Gain on disposal of a subsidiary	**(2,478)**	–
Fair value loss, net:		
Disposal of an available-for-sale investment	**364**	–
Exchange losses, net	**10,914**	8,499

6. 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 2013: 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 2013: 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 Company Limited ("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 rates of Sitoy Yingde are 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	
	2014	2013
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**83,317**	60,860
Adjustments in respect of current income tax of previous years	**11**	(54)
Current – Mainland China		
Charge for the year	**38,476**	23,426
Adjustments in respect of current income tax of previous years	**–**	(408)
Deferred tax	**(5,804)**	4,834
Total tax charge for the year	**116,000**	88,658

7. DIVIDENDS

	Year ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Interim – 2014: HK10 cents per ordinary share (2013: HK6 cents per ordinary share)	**100,153**	60,092
Proposed final – 2014: HK18 cents per ordinary share (2013: HK16 cents per ordinary share) (i)	**180,276**	160,245
	280,429	220,337

Note:

(i) On 15 September 2014, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2014 of HK18 cents (year ended 30 June 2013: HK16 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2014 subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year ended 30 June 2014 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 2013: 1,001,532,000) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**504,254**	400,497

	Year ended 30 June	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,001,532,000**	1,001,532,000

No adjustment has been made to the basic earnings per share presented for the years ended 30 June 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE RECEIVABLES

	As at 30 June 2014	As at 30 June 2013
	HK$'000	*HK$'000*
Group		
Trade receivables	**229,307**	373,924
Impairment	**–**	–
	229,307	373,924

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 2014	As at 30 June 2013
	HK$'000	*HK$'000*
Group		
Within 90 days	**228,619**	370,327
91 to 180 days	**606**	862
Over 180 days	**82**	2,735
	229,307	373,924

An aged analysis of the trade receivables, regardless of whether they are past due or not, that are not individually nor collectively considered to be impaired is as follows:

	As at 30 June 2014	As at 30 June 2013
	HK$'000	*HK$'000*
Group		
Neither past due nor impaired	**182,955**	344,502
Past due but not impaired:		
Less than 90 days	**46,205**	26,633
91 to 180 days	**147**	64
Over 180 days	**–**	2,725
	229,307	373,924

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.

10. TRADE PAYABLES

	As at 30 June 2014	As at 30 June 2013
	HK$'000	*HK$'000*
Group		
Trade payables	**202,661**	192,518

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 2014 *HK$'000*	As at 30 June 2013 *HK$'000*
Group		
Within 90 days	**191,153**	179,049
91 to 180 days	**5,116**	5,789
181 to 365 days	**6,392**	7,205
Over 365 days	**–**	475
	202,661	192,518

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

11. 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 2014 *HK$'000*	As at 30 June 2013 *HK$'000*
Guarantees given to banks in connection with facilities granted to:		
Subsidiaries	**340,000**	390,000

12. COMMITMENTS

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

	As at 30 June 2014 *HK$'000*	As at 30 June 2013 *HK$'000*
Group		
Contracted, but not provided for:		
Property, plant and equipment	**7,951**	26,174
Intangible asset	**2,115**	2,022
	10,066	28,196

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

Manufacturing business

The Group mainly engages in the manufacturing of handbags, small leather goods and travel goods to its high-end and luxury brand customers. For the year ended 30 June 2014, benefiting from the continued expansion in the retail business of the high-end and luxury brand customers, the Group achieved 14.2% growth in purchase orders from its customers.

In recent years, the competition of manufacturing business is not only limited to the suppliers in mainland China but also between Southeast Asian countries. In order to stay viable in the fierce competition of global manufacturing industry, the Group continued to enhance the materials supply chain sourcing. At the same time, the stable and experienced management team make use of their skills to develop various kinds of new products for their customers. As a result, the Group's quality of services and products enabled it to win the loyalty and trust from the international luxury brand customers which were demonstrated by increasing orders from its existing customers as well as new orders from the new international customers during the year.

Luxury brand owners kept launching new products to accommodate different customers. The Group took the advantage of the inherent competitive advantages to adapt to the ever-changing market demand and fashion trends. During the year, the Group has diversified its product mix through starting the production lines of retractable luggage handle system and hard case.

Looking ahead, with uncertainties in the operating environment together with keener competition of the manufacturing industry, the Group expects the coming year will be full of challenges. To gear up for the challenges, the Group will strengthen its core competitive advantages in order to bring in more international high-end and luxury brands as its new customers.

At the same time, the Group would like to utilise the production capacity of manufacturing retractable luggage handle system and hard case. Therefore it will put more effort to explore the growing travel goods market. In the coming year, it will actively build up the partnership with the high-end and luxury international travel goods retailers as well as develop mainland China market. The Group has the plans to increase the percentage of sales from high-end and luxury travel goods among its total revenue.

Retail business

The Group's retail business achieved encouraging results during the year. Revenue surged 47.9% year on year to HK$79.4 million which was primarily led by increasing total number points-of-sale. At the same time, same stores sales recorded a low double-digit increase for the fiscal year of 2014 even under a softer retail market in both mainland China and Hong Kong.

Throughout the year, the Group kept on expanding its footprints in the second and third-tier cities in Southwest, Eastern and Northern China. As at the end of the reporting period, the Group owned and operated 70 retail outlets, among which eight were stand-alone retail stores and 62 were concession counters in department stores. Its retail stores spanned across Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Chongqing, Chengdu, Tianjin, Yunnan, Anhui, Zhejiang, Jiangsu, Hubei and Hunan. For the development of its sales network, the Group has adopted a more prudent approach around new store openings. The emphasis will focus on the quality of individual stores as well as overall store portfolio.

Except for brick-and-mortar retail stores, the Group started cooperation with a leading e-commerce company in mainland China so as to diversify the distribution channel in the fourth-quarter of fiscal year 2014. The Group will continue to develop this flourishing channel in the future in order to enhance its market coverage.

To cope with growing demand for fashionable and quality handbags and small leathers goods in mainland China and Hong Kong, the Group has reinforced the design team with a new design director on board in March 2014. Supported by its own production facilities, Creative Centre and Research and Development Centre ("R&D Centre") together with equipped design team, the Group will be 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 and e-commerce channels. 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.

In the coming year, the Group has the plans to set up more established TUSCAN'S brand image stores. Besides, it also sets the budget of investing at least HK$10 million for promoting TUSCAN'S brand in mainland China and Hong Kong's market. Under the leadership of the marketing director who newly joined the Group in March 2014, more integrated promotional and marketing campaigns across the on-line and off-line sales channels will be launched.

The retail business development was funded with the proceeds from the initial public offering.

Manufacturing facilities

For the year ended 30 June 2014, the Group operated around 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 of the Yingde manufacturing facility already put in operation during the second half of fiscal year 2014 further expanded the Group's 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 offers its customers 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 customers 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 customers.

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 2014**	**Unused balance**
	HK$' million	*Percentage*	*HK$' million*	*HK$' million*
Second phase of Yingde manufacturing facility	251.4	35%	123.4	128.0
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	46.6	97.0
Expansion of retail business	251.4	35%	131.2	120.2
Working capital	71.8	10%	71.8	–
	718.2	100%	373.0	345.2

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 mainland China and Hong Kong.

The Group's revenue increased by 14.8% to HK$3,856.8 million for the year ended 30 June 2014 from HK$3,360.3 million for the year ended 30 June 2013. This increase was primarily due to increasing orders from existing customers and new orders from new customers of manufacturing business as well as further expansion of retail business.

Cost of sales

Cost of sales of the Group increased by 10.8% to HK$2,853.3 million for the year ended 30 June 2014 from HK$2,575.8 million for the year ended 30 June 2013. This increase was consistent with the increase in revenue.

Gross profit and gross profit margin

Gross profit increased by 27.9% to HK$1,003.5 million for the year ended 30 June 2014 from HK$784.5 million for the year ended 30 June 2013. Gross profit margin has increased to 26.0% for the year 30 June 2014 compared with 23.3% for the year ended 30 June 2013 which was mainly due to tighter cost control and change in customer mix 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 11.2% to HK$132.8 million for the year ended 30 June 2014 from HK$119.4 million for the year ended 30 June 2013. The increase was primarily due to further expansion of retail business.

Administrative expenses

Administrative expenses increased by 22.0% to HK$256.5 million for the year ended 30 June 2014 from HK$210.2 million for the year ended 30 June 2013. The increase was mainly due to further expansion of retail business and Yingde production plant of retractable luggage handle system and hard case.

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 2014 and 2013 on the estimated assessable profits arising in or derived from 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 18.7% for the year ended 30 June 2014 (30 June 2013: 18.1%).

Profit for the year

Profit for the year increased by HK$103.8 million to HK$504.3 million for the year ended 30 June 2014 from HK$400.5 million for the year ended 30 June 2013. As a percentage of revenue, profit increased to 13.1% for the year ended 30 June 2014 from 11.9% for the year ended 30 June 2013.

Capital expenditure

For the year ended 30 June 2014, the capital expenditure of the Group amounted to HK$85.1 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 of subsidiaries and associated companies during the year ended 30 June 2014.

The Group disposed of a subsidiary called Dongguan Sitoy Leather Products Company Limited during the year ended 30 June 2014. The consideration for the transaction was HK$0.5 million and the gain on disposal of the subsidiary was HK$2.5 million.

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 2014 amounted to HK$1,362.4 million (30 June 2013: HK$834.7 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 were nil as at 30 June 2014 (30 June 2013: nil), and accordingly no gearing ratio as at 30 June 2014 was presented (30 June 2013: 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 2014, 97.9% (30 June 2013: 98.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 45.5% (30 June 2013: 39.1%) of costs were denominated in the units' functional currency.

As at 30 June 2014, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2014, HK$22.9 million of time deposits were pledged as security for banking facilities available to the Group (30 June 2013: HK$12.0 million of a time deposit and HK$9.6 million of an available-for-sale investment).

Inventory turnover days

Inventory turnover days significantly decreased to 46 days for the year ended 30 June 2014 from 55 days for the year ended 30 June 2013. The decrease in inventory turnover days was due to the Group's tighter control over the stock level.

Trade receivables turnover days

Trade receivables turnover days sharply decreased to 29 days for the year ended 30 June 2014 compared with 37 days for the year ended 30 June 2013. The decrease in turnover days was mainly due to change in customers mix and the lower turnover in June 2014 compared to June 2013. 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 2014 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 34 days for the year ended 30 June 2014 compared with 36 days for the year ended 30 June 2013. 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 2014, the Group did not have any material off-balance sheet commitments and arrangements. Save as disclosed in note 11 to the financial statements, the Group did not have any contingent liabilities as at 30 June 2014.

EMPLOYEES

As at 30 June 2014, the Group had over 13,000 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with outstanding performance. The PRC subsidiaries of the Company 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, 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 HK18 cents (30 June 2013: HK16 cents) per share for the year ended 30 June 2014 to the shareholders whose names appeared on the register of members of the Company on 26 November 2014. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on 17 November 2014 (the "**2014 AGM**"), will be paid on or before 12 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 25 November 2014 and 26 November 2014 (both days inclusive), during which no share transfer will be registered. 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 branch 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 24 November 2014.

RECORD DATE FOR 2014 AGM

The record date for determining shareholders of the Company who will be entitled to attend the 2014 AGM will be at the close of business on 12 November 2014. In order to be eligible to attend and vote at the 2014 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 12 November 2014.

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 2014.

Relevant employees who are likely to be in possession of inside 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 during the year under review.

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**") contained in Appendix 14 to 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 2014.

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 annual results of the Group for the year ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION 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 2014.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 2014 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, 15 September 2014

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.