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 2015

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue decreased by 12.4% over the same period in 2014 to approximately HK$3,380.4 million.

Gross profit decreased by 12.0% over the same period in 2014 to approximately HK$882.6 million.

Profit attributable to the owners of the Company for the period decreased by 18.3% over the same period in 2014 to approximately HK$411.9 million.

Basic earnings per share attributable to the ordinary equity holders of the Company for the period decreased by approximately 18.3% over the same period in 2014 to HK41.13 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 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,380,422**	3,856,779
Cost of sales		**(2,497,831)**	(2,853,270)
Gross profit		**882,591**	1,003,509
Other income and gains	*4*	**53,539**	19,040
Selling and distribution expenses		**(161,117)**	(132,769)
Administrative expenses		**(265,364)**	(256,492)
Other expenses		**(1,928)**	(13,034)
PROFIT BEFORE TAX	*5*	**507,721**	620,254
Income tax expense	*6*	**(95,774)**	(116,000)
PROFIT FOR THE YEAR		**411,947**	504,254
Attributable to:			
Owners of the Company		**411,947**	504,254
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*8*	**41.13**	50.35

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	
	2015	2014
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**411,947**	504,254
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	**–**	36
Reclassification adjustment for loss in the consolidated statement of profit or loss – loss on disposal	**–**	364
Exchange differences on translation of foreign operations	**7,947**	(4,530)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**7,947**	(4,130)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**419,894**	500,124
Attributable to:		
Owners of the Company	**419,894**	500,124

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2015** ***HK$'000***	As at 30 June 2014 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**430,353**	428,837
Prepaid land lease payments		**19,594**	19,924
Intangible asset		**4,140**	4,140
Deferred tax assets		**18,023**	17,084
Prepayments		**346**	108
Total non-current assets		**472,456**	470,093
CURRENT ASSETS			
Inventories		**434,611**	299,024
Trade receivables	*9*	**363,640**	229,307
Prepayments, deposits and other receivables		**62,972**	66,994
Pledged deposits		**23,233**	22,929
Cash and cash equivalents		**1,322,589**	1,362,362
Total current assets		**2,207,045**	1,980,616
CURRENT LIABILITIES			
Trade payables	*10*	**323,321**	202,661
Other payables and accruals		**120,413**	120,256
Tax payable		**112,638**	147,295
Total current liabilities		**556,372**	470,212
NET CURRENT ASSETS		**1,650,673**	1,510,404
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,123,129**	1,980,497
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,184**	17
Total non-current liabilities		**3,184**	17
Net assets		**2,119,945**	1,980,480
EQUITY			
Equity attributable to owners of the Company			
Share capital		**100,153**	100,153
Reserves		**1,889,593**	1,700,051
Proposed final dividend	*7*	**130,199**	180,276
Total equity		**2,119,945**	1,980,480

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, which because the Company has not early adopted the revised Rules Governing the Listing of Securities on the Stock Exchange issued by the Stock Exchange, are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). The financial statements have been prepared under the historical cost convention, except for an available-for-sale investment, which has been measured at fair value. The 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 2015. 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, on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC Interpretation 21	*Levies*
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

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 brands 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit 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 2015		
	Manufacturing	**Retail**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue:			
Sales to external customers	**3,271,960**	**108,462**	**3,380,422**
Intersegment sales	**1,467**	**–**	**1,467**
	3,273,427	**108,462**	**3,381,889**
Reconciliation:			
Elimination of intersegment sales			**(1,467)**
Total revenue			**3,380,422**
Segment results	**515,859**	**(15,032)**	**500,827**
Reconciliation:			
Corporate and other unallocated expenses			**6,894**
Profit before tax			**507,721**
Segment assets	**2,088,280**	**158,333**	**2,246,613**
Reconciliation:			
Elimination of intersegment receivables			**(88,608)**
Corporate and other unallocated assets			**521,496**
Total assets			**2,679,501**
Segment liabilities	**530,336**	**117,004**	**647,340**
Reconciliation:			
Elimination of intersegment payables			**(88,608)**
Corporate and other unallocated liabilities			**824**
Total liabilities			**559,556**
Other segment information:			
Depreciation of items of property, plant and equipment	**42,949**	**7,544**	**50,493**
Amortization of prepaid land lease payments	**459**	**–**	**459**
Write-down of inventories to net realizable value	**8,357**	**526**	**8,883**
Operating lease rentals	**8,743**	**36,895**	**45,638**
Capital expenditure*	**35,500**	**14,808**	**50,308**

	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

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

Geographical information

(a) ***Revenue from external customers***

	Year ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
North America	**1,866,555**	2,133,644
Europe	**877,871**	775,121
Mainland China, Hong Kong, Macau and Taiwan	**272,244**	331,052
Other Asian countries	**295,951**	487,932
Others	**67,801**	129,030
	3,380,422	3,856,779

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	As at
	30 June 2015	30 June 2014
	HK$'000	*HK$'000*
Mainland China and Hong Kong	**454,433**	453,009

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 2015, revenue derived from sales by the manufacturing activities segment to a major customer amounting to HK$1,803,618,000 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 this customer.

For the year ended 30 June 2014, revenue derived from sales by the manufacturing activities segment to two major customers amounting to HK$1,960,612,000 and HK$654,572,000 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 **2015** *HK$'000*	2014 *HK$'000*
Revenue		
Sale of goods	**3,380,422**	3,856,779
Other income and gains		
Net sample and material income	**14,720**	1,619
Interest income	**18,583**	10,071
Investment income	**7,461**	–
Exchange gain	**12,119**	–
Government grants	**74**	4,478
Gains on disposal of a subsidiary	**–**	2,478
Others	**582**	394
	53,539	19,040

5. PROFIT BEFORE TAX

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

	Year ended 30 June **2015** *HK$'000*	2014 *HK$'000*
Cost of inventories sold	**2,497,831**	2,853,270
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**806,930**	814,377
– Pension scheme contributions	**25,515**	20,031
	832,445	834,408

	Year ended 30 June **2015** *HK$'000*	2014 *HK$'000*
Depreciation of items of property, plant and equipment	**50,493**	43,747
Amortization of prepaid land lease payments	**459**	457
Operating lease rentals	**45,638**	37,150
Impairment of trade receivables *(note 9)*	**504**	–
Write-down of inventories to net realizable value	**8,883**	26,370
Loss on disposal of items of property, plant and equipment	**994**	700
Auditors' remuneration	**2,862**	2,987
Gain on disposal of a subsidiary	**–**	(2,478)
Fair value loss, net:		
Disposal of an available-for-sale investment	**–**	364
Exchange (gain)/loss, net	**(12,119)**	10,914

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 British Virgin Islands ("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 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The provision for PRC corporate income tax is based on a statutory rate of 25% (year ended 30 June 2014: 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.

The major components of income tax expense are as follows:

	Year ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**69,391**	83,317
Adjustments in respect of current income tax of previous years	**(515)**	11
Current – Mainland China		
Charge for the year	**24,561**	38,476
Deferred tax	**2,337**	(5,804)
Total tax charge for the year	**95,774**	116,000

7. DIVIDENDS

	Year ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Interim – 2015: HK10 cents per ordinary share (2014: HK10 cents per ordinary share)	**100,153**	100,153
Proposed final – 2015: HK13 cents per ordinary share (2014: HK18 cents per ordinary share) *(i)*	**130,199**	180,276
	230,352	280,429

Note:

(i) On 14 September 2015, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2015 of HK13 cents (year ended 30 June 2014: HK18 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2015 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 2015 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 2014: 1,001,532,000) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**411,947**	504,254

	Year ended 30 June	
	2015	2014
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 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE RECEIVABLES

	As at 30 June 2015	As at 30 June 2014
	HK$'000	*HK$'000*
Group		
Trade receivables	**364,144**	229,307
Impairment	**(504)**	–
	363,640	229,307

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 14 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 2015 HK$'000	As at 30 June 2014 HK$'000
Group		
Within 90 days	**361,125**	228,619
91 to 180 days	**1,684**	606
Over 180 days	**831**	82
	363,640	229,307

The movements in provision for impairment of trade receivables are as follows:

	As at 30 June 2015 HK$'000	As at 30 June 2014 HK$'000
Group		
At beginning of year	**–**	–
Impairment losses recognized *(note 5)*	**504**	–
	504	–

Included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK$504,000 (2014: nil) with a carrying amount before provision of HK$840,000 (2014: nil).

The individually impaired trade receivable relates to a customer that was in financial difficulty or was in default in principal payment and only a portion of the receivable is expected to be recovered.

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 2015 HK$'000	As at 30 June 2014 HK$'000
Group		
Neither past due nor impaired	**330,775**	182,955
Past due but not impaired:		
Less than 90 days	**31,663**	46,205
91 to 180 days	**758**	147
Over 180 days	**108**	–
	363,304	229,307

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

10. TRADE PAYABLES

	As at 30 June 2015 HK$'000	As at 30 June 2014 HK$'000
Group		
Trade payables	**323,321**	202,661

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 2015 HK$'000	As at 30 June 2014 HK$'000
Group		
Within 90 days	**313,345**	191,153
91 to 180 days	**8,950**	5,116
181 to 365 days	**482**	6,392
Over 365 days	**544**	–
	323,321	202,661

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 2015 HK$'000	As at 30 June 2014 HK$'000
Guarantees given to banks in connection with facilities granted to:		
Subsidiaries	**467,819**	340,000

12. COMMITMENTS

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

	As at 30 June 2015 *HK$'000*	As at 30 June 2014 *HK$'000*
Group		
Contracted, but not provided for:		
Property, plant and equipment	**965**	7,951
Intangible asset	**1,612**	2,115
	2,577	10,066

13. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Manufacturing business

The Group mainly engages in the manufacture of handbags, small leather goods and travel goods under its high-end and luxury brands for customers.

For the year ended 30 June 2015, the purchase orders the Group received from its customers decreased 13.4% to HK$3,272 million compared with that for the previous financial year.

During the year under review, international brands became more selective about which suppliers to appoint and what products to source amidst the uncertain global economy. Competition in manufacturing business nowadays is not only limited to the suppliers in Mainland China but also extends as far as the Southeast Asian countries. In order to stay viable in the highly competitive manufacturing industry, the Group spared no effort to upgrade its production technology and enhance the supply chain for sourcing materials. With its consistent guarantee of attentive services, quality products and punctual delivery, the Group continued to gain loyalty and trust from its existing customers. In order to expand its customer base, the Group also allocated more resources and efforts to identify and cultivate new customers.

In light of the fierce competition in the global luxury handbag market, leading brands kept launching new and sophisticated products to cater for different customers. Leveraging its inherent competitive advantages, high level of craftsmanship and well developed supply chain, the Group is able to adapt to the ever-changing market demand and fashion trends.

During the year, the Group utilized the production lines of its retractable luggage handle system and hard case to diversify into goods for business and travel. In the business segment of goods for travel, the Group has successfully established business partnerships with major customers in both the international and Mainland China markets. In addition to the traditional markets in the United States and Europe, the Group also focused on markets in Greater China and Russia, where its business has already been gradually established. As a result, revenue at the segment of goods for business and travel doubled year-on-year. The Group has plans to increase the proportion of high-end and luxury travel goods sales in its total revenue.

In view of the uncertainties in the operating environment and the keen competition in the manufacturing industry, the Group expects that the coming year will continue to be difficult. 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.

Retail business

The Group engages in retail business mainly through the operation of retail shops in both Mainland China and Hong Kong under the brand name TUSCAN's. Its retail business achieved encouraging results during the year. Revenue surged 36.6% year on year to HK$108.5 million which was primarily driven by the increase in the total number points of sales. At the same time, same-stores sales grew by a single digit percentage for the fiscal year of 2015 despite the soft retail markets in both Mainland China and Hong Kong.

During the year, the Group increased the market penetration of its products in the same cities which were covered by its existing retail network and greatly improved the efficiency of its store operation and management. The Group further adjusted the proportions of its department stores and stand-alone retail stores and opened 14 new stand-alone stores during the year. As at the end of the reporting period, the Group owned and operated 81 retail outlets, of which 22 were stand-alone retail stores and 59 were concession counters in department stores. Its network of retail stores covered Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Chongqing, Chengdu, Nanjing and Wuhan. The Group has adopted a more prudent approach to the development of its sales network and the opening of new stores by emphasizing the quality of individual stores and overall mixture of stores.

The Group has expanded its product mix to include such accessories as fashion jewelry, scarf and sun glasses, offering more choices to its customers as well as building a more trendy image.

In the coming year, the Group will continue to put emphasis on opening more stand-alone stores. It will continue to invest in TUSCAN'S branding in Mainland China and Hong Kong through different media channels.

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

Manufacturing facilities

For the year ended 30 June 2015, the Group operated around 196 production lines and maintained stable production capacity. The Group's production scale and efficiency enabled it to meet its customers' dynamic requirements. The Group continued to upgrade 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 customers a one-stop solution to 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 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 2015**	**Unused balance**
	HK$' million	*Percentage*	*HK$' million*	*HK$' million*
Second phase of Yingde manufacturing facility	251.4	35%	149.5	101.9
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	51.9	91.7
Expansion of retail business	251.4	35%	208.0	43.4
Working capital	71.8	10%	71.8	–
	718.2	100%	481.2	237

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 decreased by 12.4% to HK$3,380.4 million for the year ended 30 June 2015 from HK$3,856.8 million for the year ended 30 June 2014. This decrease was primarily due to decrease in demand from the high-end and luxury brand customers. However, the increase in retail segment sales offset some of the impact.

Cost of sales

Cost of sales of the Group decreased by 12.5% to HK$2,497.8 million for the year ended 30 June 2015 from HK$2,853.3 million for the year ended 30 June 2014. This decrease was consistent with the decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by 12.0% to HK$882.6 million for the year ended 30 June 2015 from HK$1,003.5 million for the year ended 30 June 2014. Gross profit margin remained stable at 26.1% for the year 30 June 2015 compared with 26.0% for the year ended 30 June 2014.

Selling and distribution expenses

Selling and distribution expenses increased by 21.3% to HK$161.1 million for the year ended 30 June 2015 from HK$132.8 million for the year ended 30 June 2014. The increase was primarily due to further expansion of retail business.

Administrative expenses

Administrative expenses slightly increased by 3.5% to HK$265.4 million for the year ended 30 June 2015 from HK$256.5 million for the year ended 30 June 2014. The increase was mainly 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 2015 and 2014 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, which was approved and became effective on 1 January 2008.

The effective tax rate of the Group was 18.9% for the year ended 30 June 2015 (30 June 2014: 18.7%).

Profit for the year

Profit for the year decreased by HK$92.4 million to HK$411.9 million for the year ended 30 June 2015 from HK$504.3 million for the year ended 30 June 2014. As a percentage of revenue, profit decreased to 12.2% for the year ended 30 June 2015 from 13.1% for the year ended 30 June 2014.

Capital expenditure

For the year ended 30 June 2015, the capital expenditure of the Group amounted to HK$50.3 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 2015.

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 2015 amounted to HK$1,322.6 million (30 June 2014: HK$1,362.4 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 2015 (30 June 2014: nil), and accordingly no gearing ratio as at 30 June 2015 was presented (30 June 2014: 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 2015, 96.6% (30 June 2014: 97.9%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 41.3% (30 June 2014: 45.5%) of costs were denominated in the units' functional currency.

As at 30 June 2015 and 2014, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2015, HK$23.2 million of time deposits were pledged as security for banking facilities available to the Group (30 June 2014: HK$22.9 million).

Inventory turnover days

Inventory turnover days increased to 57 days for the year ended 30 June 2015 from 46 days for the year ended 30 June 2014, as the Group keeps higher inventory level for expected high turnover in 1st quarter of fiscal year 2015/2016 and lower cost of sales due to lower turnover in fiscal year 2014/2015 compared with fiscal year 2013/2014.

Trade receivables turnover days

Trade receivables turnover days slightly increased to 32 days for the year ended 30 June 2015 compared with 29 days for the year ended 30 June 2014. The increase in turnover days was mainly due to lower turnover in fiscal year 2014/2015 compared with fiscal year 2013/2014. The Group did not experience any significant credit risk due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days increased to 53 days for the year ended 30 June 2015 compared with 34 days for the year ended 30 June 2014. The increase was mainly due to increased purchase of raw material for increased orders from customers in 1st quarter of fiscal year 2015/2016. 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 2015, 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 2015.

EMPLOYEES

As at 30 June 2015, 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 entitled 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 its 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. In addition, share options may be granted to certain eligible directors and employees of the Group as incentive in accordance with the terms of the share option scheme adopted by the Company. 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, RECORD DATE AND PAYMENT DATE

An interim dividend of HK10 cents was paid on 17 April 2015. The Directors recommended the payment of a final dividend of HK13 cents (30 June 2014: HK18 cents) per share for the year ended 30 June 2015 to the shareholders whose names appeared on the register of members of the Company on 25 November 2015. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on 16 November 2015 (the "**2015 AGM**"), will be paid on or before 11 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 24 November 2015 and 25 November 2015 (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 23 November 2015.

RECORD DATE FOR 2015 AGM

The record date for determining shareholders of the Company who will be entitled to attend the 2015 AGM will be at the close of business on 11 November 2015. In order to be eligible to attend and vote at the 2015 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 11 November 2015.

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 of Hong Kong Limited (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 2015.

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 to adhere 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 2015.

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 2015.

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 2015.

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 of Hong Kong Limited (www.hkexnews.hk). The Company's annual report for the year ended 30 June 2015 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, 14 September 2015

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.