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SITOY GROUP HOLDINGS LIMITED

時代集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Financial highlights for the six months ended 31 December 2015

Revenue decreased by 2.8% over the same period in 2014 to approximately HK\$1,688.4 million.

Gross profit increased by 3.2% over the same period in 2014 to approximately HK\$467.8 million.

Profit attributable to the owners of the Company for the period decreased by 4.7% over the same period in 2014 to approximately HK\$198.3 million.

Basic earnings per share attributable to the ordinary equity holders of the Company for the period decreased by 4.7% over the same period in 2014 to approximately HK19.80 cents.

Interim dividend per ordinary share was HK10 cents for the six months ended 31 December 2015.

The board (the “Board”) of directors (the “Directors”) of Sitoy Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2015 (the “Period”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December			
	Notes	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
REVENUE	4	1,688,387	1,736,929
Cost of sales		(1,220,607)	(1,283,743)
Gross profit		467,780	453,186
Other income and gains	4	13,788	18,914
Selling and distribution costs		(83,450)	(79,126)
Administrative expenses		(134,659)	(135,745)
Other expenses		(13,083)	(909)
PROFIT BEFORE TAX	5	250,376	256,320
Income tax expense	6	(52,063)	(48,285)
PROFIT FOR THE PERIOD		198,313	208,035
Attributable to:			
Owners of the Company		198,313	208,035
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For profit for the period (HK cents)	8	19.80	20.77

Details of the dividends for the reporting period are disclosed in note 7 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended
31 December

	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	198,313	208,035
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(66,820)	7,978
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(66,820)	7,978
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	131,493	216,013
Attributable to:		
Owners of the Company	131,493	216,013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		397,790	430,353
Prepaid land lease payments		18,226	19,594
Intangible asset		5,559	4,140
Deferred tax assets		15,017	18,023
Prepayments		148	346
Total non-current assets		436,740	472,456
CURRENT ASSETS			
Inventories		356,783	434,611
Trade receivables	9	182,215	363,640
Prepayments, deposits and other receivables		52,371	62,972
Held-to-maturity investments		105,863	–
Pledged time deposits		22,141	23,233
Cash and cash equivalents		1,276,870	1,322,589
Total current assets		1,996,243	2,207,045
CURRENT LIABILITIES			
Trade payables	10	158,313	323,321
Other payables and accruals		117,465	120,413
Tax payable		32,413	112,638
Total current liabilities		308,191	556,372
NET CURRENT ASSETS		1,688,052	1,650,673
TOTAL ASSETS LESS CURRENT LIABILITIES		2,124,792	2,123,129

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
NON-CURRENT LIABILITY		
Deferred tax liability	2,196	3,184
Total non-current liability	2,196	3,184
Net assets	2,122,596	2,119,945
EQUITY		
Equity attributable to owners of the Company		
Share capital	100,153	100,153
Reserves	2,022,443	2,019,792
Total equity	2,122,596	2,119,945

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

2. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2015 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2015.

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, and provision of advertising and marketing services.

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 or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except that corporate and unallocated expenses are excluded from such measurement.

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

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

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

For the six months ended 31 December 2015 (unaudited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	1,636,522	51,865	1,688,387
Intersegment sales	14,873	12,452	27,325
	1,651,395	64,317	1,715,712
<i>Reconciliation:</i>			
Elimination of intersegment sales			(27,325)
Total revenue			1,688,387
Segment results	270,505	(4,123)	266,382
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(16,006)
Profit before tax			250,376
Other segment information:			
Depreciation of items of property, plant and equipment	21,378	4,486	25,864
Amortization of prepaid land lease payments	223	–	223
Write-down of inventories to net realizable value	2,267	198	2,465
Operating lease rentals	3,576	20,409	23,985
Capital expenditure*	11,947	7,144	19,091

For the six months ended 31 December 2014 (unaudited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	1,686,001	50,928	1,736,929
Intersegment sales	1,581	–	1,581
	1,687,582	50,928	1,738,510
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,581)
Total revenue			1,736,929
Segment results	259,989	(9,279)	250,710
<i>Reconciliation:</i>			
Corporate and other unallocated income, net			5,610
Profit before tax			256,320
Other segment information:			
Depreciation of items of property, plant and equipment	21,157	3,275	24,432
Amortization of prepaid land lease payments	229	–	229
(Reversal of write-down)/write- down of inventories to net realizable value	(12,404)	467	(11,937)
Operating lease rentals	4,519	17,300	21,819
Capital expenditure*	19,046	9,609	28,655

* Capital expenditure consists of additions to property, plant and equipment and intangible asset during the period.

The following table compares the total segment assets and liabilities as at 31 December 2015 and as at the date of the last annual financial statements (30 June 2015).

As at 31 December 2015 (unaudited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment assets	2,281,894	128,880	2,410,774
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(96,733)
Corporate and other unallocated assets			118,942
Total assets			2,432,983
Segment liabilities	309,511	97,002	406,513
<i>Reconciliation:</i>			
Elimination of intersegment payables			(96,733)
Corporate and other unallocated liabilities			607
Total liabilities			310,387

As at 30 June 2015 (audited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment assets	2,088,280	158,333	2,246,613
<i>Reconciliation:</i>			
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
<i>Reconciliation:</i>			
Elimination of intersegment payables			(88,608)
Corporate and other unallocated liabilities			824
Total liabilities			559,556

Geographical information

(a) *Revenue from external customers*

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue		
North America	893,545	986,582
Europe	397,400	452,223
Mainland China, Hong Kong, Macau and Taiwan	170,874	123,251
Other Asian countries	188,833	143,068
Others	37,735	31,805
	1,688,387	1,736,929

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

(b) Non-current assets

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Mainland China, Hong Kong and Macau	421,723	454,433

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

Information about major customers

For the six months ended 31 December 2015, revenue derived from sales by the manufacturing activities segment to two major customers respectively amounting to HK\$766,663,000 (unaudited) and HK\$218,594,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the six months ended 31 December 2014, revenue derived from sales by the manufacturing activities segment to a major customer amounting to HK\$972,855,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

4. Revenue, Other Income and Gains

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

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

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue		
Sale of goods	1,688,387	1,736,929
Other income and gains		
Net sample and material income	934	6,822
Interest income	10,530	6,557
Investment income from held-to-maturity investments	1,227	3,132
Exchange gain, net	–	1,863
Others	1,097	540
	13,788	18,914

5. Profit Before Tax

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

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,220,607	1,283,743
Employee benefit expense including		
Directors' remuneration		
– Wages and salaries	411,263	403,148
– Pension scheme contributions	14,200	16,715
– Equity-settled share option expense	1,357	–
	426,820	419,863
Depreciation of items of property, plant and equipment	25,864	24,432
Amortization of prepaid land lease payments	223	229
Operating lease rentals	23,985	21,819
Write-down/(reversal of write-down) of inventories to net realizable value	2,465	(11,937)
Auditors' remuneration	800	1,236
Exchange losses/(gain), net	12,596	(1,863)

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 the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2014: 16.5%) on the assessable profits arising in Hong Kong during the reporting period.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit during the six months ended 31 December 2015 (six months ended 31 December 2014: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 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:

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current – Hong Kong		
Charged for the period	25,002	39,157
Adjustments in respect of current income tax of previous years	–	(1,690)
Current – Mainland China		
Charged for the period	25,905	11,189
Deferred tax	1,156	(371)
Total tax charged for the period	52,063	48,285

7. Dividends

For the six months ended 31 December		
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for the year ended 30 June		
2015: HK13 cents (year ended 30 June		
2014: HK18 cents)	130,199	180,276
Dividends on ordinary shares proposed for approval (not recognized as a liability as at 31 December):		
Proposed interim – HK10 cents		
per ordinary share (six months ended		
31 December 2014: HK10 cents)	100,153	100,153

On 23 February 2016, the Board of Directors of the Company resolved to propose an interim dividend for the six months ended 31 December 2015 of HK10 cents (six months ended 31 December 2014: HK10 cents) per ordinary share out of the consolidated retained profits of the Group as at 31 December 2015.

8. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2015 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (six months ended 31 December 2014: 1,001,532,000) in issue during the period.

For the six months ended 31 December 2015, the calculation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options were higher than the average market price of the shares of the Company (six months ended 31 December 2014: nil).

9. Trade Receivables

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Trade receivables	182,719	364,144
Impairment	(504)	(504)
	182,215	363,640

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 105 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 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Within 90 days	172,652	361,125
91 to 180 days	8,558	1,684
Over 180 days	1,005	831
	182,215	363,640

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

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
At beginning of period/year	504	–
Impairment losses recognized	–	504
	504	504

As at 31 December 2015, included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK\$504,000 (30 June 2015: HK\$504,000) with a carrying amount before provision of HK\$662,000 (30 June 2015: HK\$840,000).

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 that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Neither past due nor impaired	123,176	330,775
Past due but not impaired		
Less than 90 days	57,840	31,663
91 to 180 days	446	758
Over 180 days	595	108
	182,057	363,304

Receivables that were neither past due nor impaired relate to a large 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 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Trade payables	158,313	323,321

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

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Within 90 days	143,107	313,345
91 to 180 days	8,502	8,950
181 to 365 days	5,852	482
Over 365 days	852	544
	158,313	323,321

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

The Group had no significant contingent liabilities as at 31 December 2015 (30 June 2015: nil).

12. Commitments

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

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	400	965
Intangible asset	178	1,612
	578	2,577

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 interim condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Manufacturing business

During the Period, the Group's purchase orders received from its customers have decreased by 2.1% when compared with the same period in the previous year, which was mainly due to decrease in demand for high-end and luxury brand products in the worldwide market. However, the Group has been actively developing businesses with certain new brand customers of high-end and luxury products in international and China markets. Orders received from those new customers have partly offset certain effect of lower demand from the existing customers.

Although minimum wage level in mainland China keeps rising in recent years, China's core competences nowadays lie in a labour force of higher level of craftsmanship, well developed supply chain and well equipped logistics facilities, these elements are essential to the Group in maintaining stable quality and services to its brand customers which make no compromise on product quality and need smooth and efficient logistics support to deliver products to both China and international markets.

Cost optimization is one of the Group's key strategies to maintain its considerable returns. Despite the rising labour cost and keener competition, the Group continuously upgrades itself to meet the higher requirements of both existing and new customers. The Group has made its best endeavours to tap new opportunities under a challenging business environment.

Retail business

The Group currently has two brands under its retail business. TUSCAN'S is a brand of high quality handbags originated from Italy, while Fashion & Joy, launched by the Group in September 2014, is a brand of travel luggage and business accessories, designed and expertly crafted for bold and young trend-setters who aspire stylish sophistication. Although there is a slowdown in the retail environment, retail business achieved stable growth during the Period. Revenue generated from this segment reached HK\$64.3 million, increased by 26.3% when compared with the same period in the previous year. Throughout the reporting period, the Group continued to review and adjust the number of points of sales of TUSCAN'S and Fashion & Joy in mainland China and Hong Kong. Revenue from retail business recorded a growth, showing that the operation efficiency of its retail network has enhanced and some stores have shown a strong same store sales growth ("SSSG"). Its retail stores spanned across Shanghai, Beijing, Hong Kong, Macau,

Guangdong, Shenzhen, Chongqing, Chengdu, Yunnan, Hubei, Hunan and Jiangsu. The Group launched e-commerce business in the fourth quarter of fiscal year 2014. With the reinforcement by the Group's promotional and marketing campaigns across the on-line and off-line sales channels to build up the brand's image during the Period, together with the implement of cost control policies, the retail business has improved gradually.

The Group will put more efforts on e-commerce development and is currently liaising with certain famous e-commerce platforms to expand its retail business online.

Product research, development and design

The in-house Creative Center and R&D Center of the Group offer customers one-stop design, research, development and manufacturing solutions, which help the Group to serve its customers in response to fast changing consumer preferences and fashion trends as well as to develop and manufacture products with complex designs. By offering customers with value-added services and high level of craftsmanship, it will strengthen its competitive edge in the industry, which in turn will attract and retain leading international and mainland China brands in the level of high-end and luxury products as its customers.

The use of proceeds from Initial Public Offering ("IPO")

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

	IPO proceeds		Used up to 31 December 2015	Unused Balance
	HK\$'million	Percentage	HK\$'million	HK\$'million
Second phase of Yingde manufacturing facility	251.4	35%	153.0	98.4
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	57.8	85.8
Expansion of retail business	251.4	35%	225.7	25.7
Working capital	71.8	10%	71.8	–
	718.2	100%	508.3	209.9

Prospect

Looking ahead, the slowdown in China economy brings to the world more uncertainties and keener competitions are expected in the manufacturing industry, therefore, the remaining six months of this fiscal year will be full of challenges. To gear up for the headwinds, the Group will strengthen its core competitive advantages in order to bring in more international and China brands in the level of high-end and luxury products as its new customers. At the same time, the Group will utilize the production capacity of manufacturing retractable luggage handle systems and hard cases. Therefore, the Group will put more effort to explore the growing travel goods market. In the coming six months, the Group will actively build partnership with both international and mainland China high-end and luxury travel goods retailers.

For the retail business, the Group will focus on enhancing the operation efficiency and achieving higher SSSG of its existing stores. It plans to set up new TUSCAN'S and Fashion & Joy brand image stores in both Hong Kong and mainland China, especially in Shanghai, Beijing and Southwest China regions. The Group will adopt a prudent approach in new store openings, with emphasis on the quality of individual stores as well as overall store portfolio. In the coming six months, more integrated promotional and marketing campaigns will be held to build up the brand image and enhance the familiarities. The Group is also actively liaising with certain international retail brands to introduce their products to Greater China markets. It is also looking for appropriate acquisition targets in order to further diversify and enrich its retail brand portfolio.

For the newly developed brand Fashion & Joy, since the target customers are young trend-setters, the Group will emphasize on the operation of e-commerce distribution network. In order to increase customers' awareness of our brands, the Group will invest more in on-line promotion in the coming six months.

The retail business development was and is expected to be funded with the proceeds from the IPO.

Financial Review

Revenue

The revenue decreased by 2.8% to HK\$1,688.4 million for the six months ended 31 December 2015 from HK\$1,736.9 million for the six months ended 31 December 2014. This decrease was primarily due to a decrease in demand from the high-end and luxury brand customers.

Cost of sales

Cost of sales of the Group decreased by 4.9% to HK\$1,220.6 million for the six months ended 31 December 2015 from HK\$1,283.7 million for the six months ended 31 December 2014. Apart from the decrease in the sales orders received from the customers, the depreciation of Renminbi (“RMB”) against Hong Kong dollars (“HK\$”) also contributed to the decrease in cost of sales to a certain extent.

Gross profit and gross profit margin

Gross profit slightly increased by 3.2% to HK\$467.8 million for the six months ended 31 December 2015 from HK\$453.2 million for the six months ended 31 December 2014. Gross profit margin increased to 27.7% for the six months ended 31 December 2015 when compared with 26.1% for the six months ended 31 December 2014 due to tight control over the costs and depreciation of RMB against HK\$.

Selling and distribution costs

Selling and distribution costs increased by 5.5% to HK\$83.5 million for the six months ended 31 December 2015 from HK\$79.1 million for the six months ended 31 December 2014. The increase was due to more promotions and marketing campaigns launched for retail business during the Period.

Administrative expenses

Administrative expenses decreased slightly by 0.8% to HK\$134.7 million for the six months ended 31 December 2015 from HK\$135.7 million for the six months ended 31 December 2014.

Income tax expense

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

Hong Kong Profit Tax as applicable to the Group was 16.5% for the six months ended 31 December 2015 and 2014 on the assessable profits arising in Hong Kong during the relevant period.

PRC Corporate Income Tax was based on a statutory rate of 25% of the assessable profit of all the subsidiaries incorporated in the PRC as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

The effective tax rate of the Group was 20.8% for the six months ended 31 December 2015 (31 December 2014: 18.8%). The increase in effective tax rate was due to more profit generated from the PRC areas which was charged at 25% of the assessable profit.

Profit for the Period

Profit for the Period decreased by HK\$9.7 million to HK\$198.3 million for the six months ended 31 December 2015 from HK\$208.0 million for the six months ended 31 December 2014. As a percentage of revenue, profit maintained at 11.7% for the six months ended 31 December 2015 when compared with 12.0% for the six months ended 31 December 2014.

Held-to-maturity investments

As at 31 December 2015, held-to-maturity investments with carrying amount of HK\$105,863,000 (30 June 2015: nil) were acquired during the Period and denominated in RMB, which carried fixed interest rate from 4.2% to 5.4% per annum and will be matured in February and June 2016.

Capital expenditure

For the six months ended 31 December 2015, the capital expenditure of the Group amounted to HK\$19.1 million, primarily related to upgrading existing manufacturing facilities in both 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 Period.

Liquidity and financial resources

The liquidity and financial resources position remains strong as the Group continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 31 December 2015 amounted to HK\$1,276.9 million (30 June 2015: HK\$1,322.6 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 Group had no bank and other borrowings as at 31 December 2015 and 30 June 2015 hence no gearing ratio is presented.

Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2015, 96.0% (year ended 30 June 2015: 96.6%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 52.3% (year ended 30 June 2015: 41.3%) of costs were denominated in the units' functional currency. As at 31 December 2015, the Group had no foreign exchange forward contracts and other financial derivatives outstanding.

Pledge of Assets

As at 31 December 2015, HK\$22.1 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2015: HK\$23.2 million).

Inventory turnover days

Inventory turnover days increased to 61 days for the six months ended 31 December 2015 from 57 days for the year ended 30 June 2015. The increase in inventory turnover days was due to decrease in cost of sales and increase in average inventories level.

Trade receivables turnover days

Trade receivables turnover days decreased slightly to 30 days for the six months ended 31 December 2015 compared with 32 days for the year ended 30 June 2015. The Group did not experience any significant credit risk due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days decreased slightly to 51 days for the six months ended 31 December 2015 compared with 53 days for the year ended 30 June 2015.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 31 December 2015, the Group did not have any material off-balance sheet commitments and arrangements. The Group did not have any contingent liabilities as at 31 December 2015.

Employees

As at 31 December 2015, the Group had over 11,000 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good 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, sports site, library and internet center for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the remuneration packages and fringe benefits offered by the Group to its staff members are competitive in comparison with market standards and practices. Since human resource management is an important factor in maintaining and further enhancing the

Group's strong expertise and know-how in the craftsmanship of handbags, small leather goods and travel goods, the in-house employee training center provides 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.

The Company also adopted a share option scheme approved on 15 November 2011 for the purpose of recognition of employees' contribution.

DIVIDEND, RECORD AND PAYMENT DATES

The Directors have declared the payment of an interim dividend of HK10 cents (31 December 2014: HK10 cents) per share to the shareholders for the six months ended 31 December 2015 in recognition of continual support of the shareholders. The interim dividend will be paid to shareholders whose names appeared on the register of members of the Company on 24 March 2016. It is expected that the interim dividend will be paid on or before 15 April 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 23 March 2016 and 24 March 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 22 March 2016.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 six months ended 31 December 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.

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”) set out 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 six months ended 31 December 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 interim condensed consolidated financial statements for the six months ended 31 December 2015 had not been audited, but the audit committee has discussed with the management of the Company and the external auditors, Ernst & Young, on the appropriateness and consistency of the accounting policies that have been adopted by the Company. In addition, Ernst & Young has performed certain agreed upon procedures in accordance with the request of the audit committee regarding the interim results and the interim report for the six months ended 31 December 2015 and reported to the audit committee accordingly. The audit committee has reviewed the interim results and the interim report of the Group for the six months ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 December 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.sitoy.com) and the Stock Exchange (www.hkexnews.hk). The Company's interim report for the six months ended 31 December 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, 23 February 2016

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.