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 2016

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2016

Revenue decreased by approximately 16.1% over the same period in 2015 to approximately HK$2,837.0 million.

Gross profit decreased by approximately 13.1% over the same period in 2015 to approximately HK$766.8 million.

Profit attributable to the owners of the Company for the year decreased by approximately 10.1% over the same period in 2015 to approximately HK$370.1 million.

Basic earnings per share attributable to ordinary equity holders of the Company for the period decreased by approximately 10.1% over the same period in 2015 to HK36.96 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 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,837,018**	3,380,422
Cost of sales		**(2,070,188)**	(2,497,831)
Gross profit		**766,830**	882,591
Other income and gains	*4*	**93,772**	53,539
Selling and distribution expenses		**(152,370)**	(161,117)
Administrative expenses		**(255,777)**	(265,364)
Other expenses		**(7,114)**	(1,928)
PROFIT BEFORE TAX	*5*	**445,341**	507,721
Income tax expense	*6*	**(75,199)**	(95,774)
PROFIT FOR THE YEAR		**370,142**	411,947
Attributable to:			
Owners of the Company		**370,142**	411,947
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*8*	**36.96**	41.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**370,142**	411,947
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(83,953)**	7,947
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(83,953)**	7,947
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**286,189**	419,894
Attributable to:		
Owners of the Company	**286,189**	419,894

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016 HK$'000	As at 30 June 2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**497,597**	430,353
Investment property		**503,556**	–
Prepaid land lease payments		**17,653**	19,594
Intangible asset		**5,559**	4,140
Deferred tax assets		**15,270**	18,023
Prepayments		**146**	346
Total non-current assets		**1,039,781**	472,456
CURRENT ASSETS			
Inventories		**274,605**	434,611
Trade receivables	*9*	**251,967**	363,640
Prepayments, deposits and other receivables		**44,087**	62,972
Pledged deposits		**22,495**	23,233
Cash and cash equivalents		**830,572**	1,322,589
Total current assets		**1,423,726**	2,207,045
CURRENT LIABILITIES			
Trade payables	*10*	**131,300**	323,321
Other payables and accruals		**103,889**	120,413
Tax payable		**46,076**	112,638
Total current liabilities		**281,265**	556,372
NET CURRENT ASSETS		**1,142,461**	1,650,673
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,182,242**	2,123,129
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,680**	3,184
Total non-current liabilities		**2,680**	3,184
Net assets		**2,179,562**	2,119,945
EQUITY			
Equity attributable to owners of the Company			
Share capital		**100,153**	100,153
Reserves		**2,079,409**	2,019,792
Total equity		**2,179,562**	2,119,945

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sitoy Group Holdings Limited (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 Company and its subsidiaries (collectively referred to as the "**Group**") are the design, research, development, manufacturing, sale and retailing of handbags, small leather goods and travel goods, provision of advertising and marketing services, and property investment.

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

2.1 BASIS OF PREPARATION

These consolidated 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. They have been prepared under the historical cost convention, except for an investment property, which has been measured at fair value. The consolidated 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 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the Rules Governing the Listing of Securities on the Hong Kong Exchange issued by the Hong Kong Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

(a) Manufacturing: produces handbags, small leather goods and travel goods for branding and resale by others;

(b) Retail: manufactures and retails handbags, small leather goods and travel goods for the brands owned by the Group, and provision of handbag and accessories design and wholesale, advertising and marketing services; and

(c) Property investment: invests in office space for its rental income or capital appreciation purpose.

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 2016			
	Manufacturing	**Retail**	**Property investment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	**2,741,633**	**95,084**	**301**	**2,837,018**
Intersegment sales	**26,221**	**24,533**	**–**	**50,754**
	2,767,854	**119,617**	**301**	**2,887,772**
Reconciliation:				
Elimination of intersegment sales	**(26,221)**	**(24,533)**	**–**	**(50,754)**
Total revenue				**2,837,018**
Segment results	**410,071**	**(5,204)**	**65,645**	**470,512**
Reconciliation:				
Corporate and other unallocated expenses, net				**(25,171)**
Profit before tax				**445,341**
Segment assets	**2,121,187**	**123,805**	**505,521**	**2,750,513**
Reconciliation:				
Elimination of intersegment receivables				**(651,696)**
Corporate and other unallocated assets				**364,690**
Total assets				**2,463,507**
Segment liabilities	**273,508**	**95,171**	**566,320**	**934,999**
Reconciliation:				
Elimination of intersegment payables				**(651,696)**
Corporate and other unallocated liabilities				**642**
Total liabilities				**283,945**
Other segment information:				
Depreciation of items of property, plant and equipment	**42,030**	**8,585**	**–**	**50,615**
Unallocated depreciation of items of property, plant and equipment				**90**
				50,705
Amortization of prepaid land lease payments	**442**	**–**	**–**	**442**
Write-down of inventories to net realizable value	**5,007**	**990**	**–**	**5,997**
Operating lease rentals	**6,347**	**37,242**	**–**	**43,589**
Capital expenditure*	**14,410**	**10,820**	**447,605**	**472,835**
Unallocated capital expenditure*				**112,395**
				585,230

	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 income, net			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

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

Geographical information

(a) Revenue from external customers

	Year ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Revenue		
North America	**1,437,276**	1,866,555
Europe	**625,891**	877,871
Mainland China, Hong Kong, Macau and Taiwan	**321,646**	272,244
Other Asian countries	**370,050**	295,951
Others	**82,155**	67,801
	2,837,018	3,380,422

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 2016	As at 30 June 2015
	HK$'000	*HK$'000*
Mainland China, Hong Kong and Macau	**1,024,511**	454,433

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 2016, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$1,137,451,000 and HK$378,352,000 had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the year ended 30 June 2015, revenue derived from sales by the manufacturing 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.

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; and gross rental income received and receivable from investment property during the year.

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

	Year ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**2,836,717**	3,380,422
Gross rental income	**301**	–
	2,837,018	3,380,422
Other income		
Net sample and material income	**5,324**	14,720
Interest income	**13,932**	18,583
Investment income	**3,846**	7,461
Exchange gain	**–**	12,119
Government grants	**281**	74
Others	**389**	582
	23,772	53,539
Gains		
Gain on bargain purchase	**70,000**	–
	93,772	53,539

5. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**2,070,188**	2,497,831
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**731,496**	806,930
– Equity-settled share option expense	**3,780**	–
– Pension scheme contributions	**26,776**	25,515
	762,052	832,445

	Year ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Depreciation of items of property, plant and equipment	**50,705**	50,493
Amortization of prepaid land lease payments	**442**	459
Operating lease rentals	**43,589**	45,638
Impairment of trade receivables *(note 9)*	**–**	504
Gain on bargain purchase	**(70,000)**	–
Write-down of inventories to net realizable value	**5,997**	8,883
Loss on disposal of items of property, plant and equipment	**1,027**	994
Auditors' remuneration	**2,100**	2,862
Exchange loss/(gain), net	**5,631**	(12,119)

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 BVI.

Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 30 June 2016 (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Macau Complementary Income tax has not been provided for as the Group had no assessable profit arising in Macau during the year (2015: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2016 (2015: 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	
	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**50,418**	69,391
Adjustments in respect of current income tax of previous years	**(1,753)**	(515)
Current – Mainland China		
Charge for the year	**25,467**	24,561
Deferred tax	**1,067**	2,337
Total tax charge for the year	**75,199**	95,774

7. DIVIDENDS

	Year ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Interim – 2016: HK10 cents per ordinary share (2015: HK10 cents per ordinary share)	**100,153**	100,153
Proposed final – 2016: HK13 cents per ordinary share (2015: HK13 cents per ordinary share) *(note)*	**130,199**	130,199
Proposed special – 2016: HK15 cents per ordinary share (2015: nil) *(note)*	**150,230**	–
	380,582	230,352

Note:

On 19 September 2016, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2016 of HK13 cents (2015: HK13 cents) and a special dividend of HK15 cents (2015: nil) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2016 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 2016 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (2015: 1,001,532,000) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**370,142**	411,947

	Year ended 30 June	
	2016	2015
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

For the year ended 30 June 2016, 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 was higher than the average market price of the shares of the Company (2015: nil).

9. TRADE RECEIVABLES

	As at 30 June 2016 *HK$'000*	As at 30 June 2015 *HK$'000*
Trade receivables	**252,471**	364,144
Impairment	**(504)**	(504)
	251,967	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, letters of credit at sight to 90 days 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 30 June 2016 *HK$'000*	As at 30 June 2015 *HK$'000*
Within 90 days	**245,025**	361,125
91 to 180 days	**5,093**	1,684
Over 180 days	**1,849**	831
	251,967	363,640

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

	As at 30 June 2016 *HK$'000*	As at 30 June 2015 *HK$'000*
At beginning of year	**504**	–
Impairment losses recognized *(note 5)*	**–**	504
	504	504

As at 30 June 2016, included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK$504,000 (2015: HK$504,000) with a carrying amount before provision of HK$662,000 (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, 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 2016	As at 30 June 2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**168,462**	330,775
Past due but not impaired:		
Less than 90 days	**81,365**	31,663
91 to 180 days	**1,951**	758
Over 180 days	**31**	108
	251,809	363,304

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

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 2016	As at 30 June 2015
	HK$'000	*HK$'000*
Within 90 days	**124,746**	313,345
91 to 180 days	**3,264**	8,950
181 to 365 days	**2,632**	482
Over 365 days	**658**	544
	131,300	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. COMMITMENTS

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

	As at 30 June 2016 *HK$'000*	As at 30 June 2015 *HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**837**	965
Intangible asset	**181**	1,612
	1,018	2,577

12. 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 consolidated 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 for its high-end and luxury brands customers.

For the year ended 30 June 2016, the purchase orders the Group received had been decreased by approximately 15.4% to approximately HK$2,767.9 million, as compared to the previous financial year, mainly due to the decrease in demand for high-end and luxury brand products in the worldwide market. However, the Group has been actively developing businesses with certain high-end and luxury brand names in international and China markets. Orders received from those new customers have partly offset certain effects of lower demand from existing customers.

Although minimum wage level in mainland China has been on the rise 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, which are crucial to the Group in maintaining consistent quality and services to its brand customers, without compromising on product quality and maintaining smooth and efficient logistics to deliver products to both China and international markets in a timely manner.

Cost optimization is one of the Group's key strategies to maintain its considerable returns. Despite rising labour costs 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 as at 30 June 2016. 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 year. Revenue generated from this segment reached approximately HK$119.6 million, up approximately 10.3% when compared with the previous financial year. Throughout the year ended 30 June 2016, 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, demonstrating enhanced operational efficiency of its retail network. Its retail stores spanned across Shanghai, Beijing, Hong Kong, Macau, Guangdong, Chongqing, Sichuan, Yunnan, Hubei 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 year, together with the implement of cost control policies, the retail business has improved gradually.

During the year 2016, the Group has obtained the exclusive license rights from two international brands, Kenneth Cole and Bruno Magli. Kenneth Cole is a long-standing fashion brand based in New York City, specializing in men's and women's footwear, clothing and accessories, with retail presence in more than seventy countries across five continents. While Bruno Magli, since its inception in 1936, has created refined, handcrafted footwear for those who appreciate elegant design and impeccable craftsmanship. Today, Bruno Magli continues to evolve its heritage by reinventing luxury essentials for a new generation. By obtaining the license rights, the Group has successfully diversified and enriched its retail brand portfolio.

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

The retail business development was and is expected to be funded with the proceeds from the initial public offering (the "**IPO**").

Property investment

The Group expanded to the property investment segment during the year by acquiring a commercial building located in Hong Kong. During the year ended 30 June 2016, the Group has generated approximately HK$0.3 million revenue with segment profit of approximately HK$65.6 million, which was mainly contributed from the gain on bargain purchase of HK$70.0 million.

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 of high-end and luxury products as its customers. In the future, the Group shall source quality raw materials with competitive price, and continue to optimise and streamline production procedures to boost competitiveness of the Group and satisfy brand customers' demands.

THE USE OF PROCEEDS FROM IPO

The Group raised approximately 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 2016**	**Unused balance**
	approximate HK$' million	*approximate percentage*	*approximate HK$' million*	*approximate HK$' million*
Second phase of Yingde manufacturing facility	251.4	35%	154.0	97.4
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	58.2	85.4
Expansion of retail business	251.4	35%	228.1	23.3
Working capital	71.8	10%	71.8	–
	718.2	100%	512.1	206.1

FINANCIAL REVIEW

Revenue

Revenue of the Group represents proceeds from handbags, small leather goods and travel goods sold to high-end and luxury brand customers, as well as TUSCAN'S branded products sold through the retail stores in China, Hong Kong and Macau and rental income from the investment property.

The Group's revenue decreased by approximately 16.1% to approximately HK$2,837.0 million for the year ended 30 June 2016 from approximately HK$3,380.4 million for the year ended 30 June 2015. This decrease was primarily due to decrease in demand from high-end and luxury brand customers.

Cost of sales

Cost of sales of the Group decreased by approximately 17.1% to approximately HK$2,070.2 million for the year ended 30 June 2016 from approximately HK$2,497.8 million for the year ended 30 June 2015. Apart from the decrease in the sales orders received from the customers, the depreciation of Renminbi ("**RMB**") against Hong Kong dollars ("**HK$**") also contributed to the decrease in cost of sales to a certain extent.

Gross profit and gross profit margin

Gross profit decreased by approximately 13.1% to approximately HK$766.8 million for the year ended 30 June 2016 from approximately HK$882.6 million for the year ended 30 June 2015. The gross profit margin increased slightly to approximately 27.0% for the year ended 30 June 2016 compared with approximately 26.1% for the year ended 30 June 2015 due to tight control over the costs and depreciation of RMB against HK$.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 5.4% to approximately HK$152.4 million for the year ended 30 June 2016 from approximately HK$161.1 million for the year ended 30 June 2015. The decrease was primarily attributable to tight cost control.

Administrative expenses

Administrative expenses slightly decreased by approximately 3.6% to approximately HK$255.8 million for the year ended 30 June 2016 from approximately HK$265.4 million for the year ended 30 June 2015.

Income tax expense

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

Hong Kong profits tax as applicable to the Group was 16.5% for the years ended 30 June 2016 and 2015 on the estimated assessable profits arising in or derived from Hong Kong during the relevant year.

The People's Republic of China (the "**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.

Macau Complementary Income tax has not been provided for as the Group had no assessable profit arising in Macau during the year ended 30 June 2016 (2015: nil).

The effective tax rate of the Group was decreased to approximately 16.9% for the year ended 30 June 2016 (2015: 18.9%), which was due to the non-taxable income of gain on bargain purchase of HK$70.0 million.

Profit for the year

Profit for the year decreased by approximately HK$41.8 million to approximately HK$370.1 million for the year ended 30 June 2016 from approximately HK$411.9 million for the year ended 30 June 2015. As a percentage of revenue, profit increased to approximately 13.0% for the year ended 30 June 2016 from approximately 12.2% for the year ended 30 June 2015.

Investment property

As at 30 June 2016, the investment property with carrying amount of approximately HK$503.6 million (2015: nil) was acquired during the year, which is held under medium-term lease in Hong Kong. Details of the property have been set out in "material acquisition of subsidiaries" section below.

Capital expenditure

For the year ended 30 June 2016, the capital expenditure of the Group amounted to approximately HK$585.2 million, primarily due to the upgrading of existing manufacturing facilities in both Dongguan and Yingde, as well as the expansion of retail business and acquisition of the Property as defined below.

Material acquisition of subsidiaries

On 13 May 2016, Sitoy Property Investment Company Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement to acquire the entire issued share capital of and the shareholder's loan owing by Harbour Century Limited at the consideration of HK$560 million, subject to adjustments. Harbour Century Limited wholly owns Worldmax Enterprises Limited (collectively referred to as the "**Property Group**"), which in turn owns a 20-storey office building located at No. 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (Kwun Tong inland lot No. of 316) (the "**Property**"). Completion of the acquisition took place on 17 June 2016, upon which each of Harbour Century Limited and Worldmax Enterprises Limited became a wholly-owned subsidiary of the Company. Details of above transaction are disclosed in the Company's announcements dated 13 May 2016, 27 May 2016 and 17 June 2016.

The Property held by the Group is with a total gross floor area of approximately 70,000 square feet. The Property will be re-named as "Sitoy Tower" and used as the Group's headquarter, showrooms for merchandise display and market week, and also for rental income or capital appreciation purpose.

Since completion of the acquisition, the Property Group contributed HK$301,000 to the Group revenue and HK$133,000 to the consolidated profit for the year ended 30 June 2016.

Except for the abovesaid acquisition, the Group had no other material acquisitions and disposals of subsidiaries and associated companies during the year ended 30 June 2016.

Liquidity and financial resources

The liquidity and financial resources position of the Group remains strong as it continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 30 June 2016 amounted to approximately HK$830.6 million (2015: HK$1,322.6 million), which are mainly denominated in HK$, RMB and United States dollars. The Group has sufficient financial resources and a strong cash position to satisfy 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 outstanding bank and other borrowings as at 30 June 2016 and 2015, thus, no gearing ratio was presented.

Foreign exchange risk

The Group has had transactional currency exposures for the year ended 30 June 2016. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During the year ended 30 June 2016, 95.7% (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 56.1% (2015: 41.3%) of the costs were denominated in the units' functional currency.

As at 30 June 2016 and 2015, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2016, approximately HK$22.5 million of time deposits were pledged as security for banking facilities available to the Group (2015: HK$23.2 million).

Inventory turnover days

Inventory turnover days increased to 65 days for the year ended 30 June 2016 from 57 days for the year ended 30 June 2015. The increase in inventory turnover days was due to the decrease in cost of sales and increase in average level of inventories.

Trade receivables turnover days

Trade receivables turnover days increased to 40 days for the year ended 30 June 2016 compared with 32 days for the year ended 30 June 2015. The increase in turnover days was mainly due to lower turnover in fiscal year 2015/2016 compared with fiscal year 2014/2015. The Group did not experience any significant credit risks due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days increased to 58 days for the year ended 30 June 2016 compared with 53 days for the year ended 30 June 2015, which was mainly due to decrease in purchasing materials during the year. 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 2016, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2016, the Group had about 9,000 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the Company are subject to social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations. The Group also adheres to 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 employees and, in the case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteens, sports grounds, library and internet center for employees. The Group will continue to improve the working environment in the manufacturing facilities and the living qualities for its staff. 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, among other things, recognition of employees' contribution.

DIVIDENDS, RECORD DATE AND PAYMENT DATE

An interim dividend of HK10 cents was paid on 15 April 2016. The Directors recommended the payment of a final dividend of HK13 cents (2015: HK13 cents) and a special dividend of HK15 cents (2015: nil) per share for the year ended 30 June 2016 to the shareholders whose names appeared on the register of members of the Company on 23 November 2016. The final and special dividends, subject to approval by the shareholders at the annual general meeting to be held on 14 November 2016 (the "**2016 AGM**"), will be paid on or before 9 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 22 November 2016 and 23 November 2016, during which no share transfer will be registered. In order to qualify for the proposed final and special dividends, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited (the "**Hong Kong Branch Registrar**"), at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 21 November 2016.

RECORD DATE FOR 2016 AGM

The record date for determining shareholders of the Company who will be entitled to attend the 2016 AGM will be at the close of business on 9 November 2016. In order to be eligible to attend and vote at the 2016 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 4:00 p.m. on 9 November 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 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 2016.

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 ended 30 June 2016.

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 2016.

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 2016.

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 2016.

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 2016 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, 19 September 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.