時代集團控股有限公司
SITOY GROUP HOLDINGS LTD.

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Financial highlights for the six months ended 31 December 2016

Revenue decreased by approximately 41.3% over the same period in 2015 to approximately HK$991.5 million.

Gross profit decreased by approximately 40.8% over the same period in 2015 to approximately HK$276.8 million.

Profit attributable to the owners of the Company for the period decreased by approximately 41.3% over the same period in 2015 to approximately HK$116.4 million.

Basic earnings per share attributable to the ordinary equity holders of the Company for the period decreased by approximately 41.3% over the same period in 2015 to approximately HK11.62 cents.

Interim dividend per ordinary share was HK6 cents for the six months ended 31 December 2016.

The board (the "Board") of directors (the "Directors") of Sitoy Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2016 (the "Period").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 31 December	
	Notes	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
REVENUE	4	991,526	1,688,387
Cost of sales		(714,718)	(1,220,607)
Gross profit		276,808	467,780
Other income and gains	4	36,194	13,788
Selling and distribution expenses		(69,467)	(83,450)
Administrative expenses		(105,828)	(134,659)
Other expenses		(923)	(13,083)
PROFIT BEFORE TAX	5	136,784	250,376
Income tax expense	6	(20,360)	(52,063)
PROFIT FOR THE PERIOD		116,424	198,313
Attributable to:			
Owners of the Company		116,424	198,313
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For profit for the period (HK cents)	8	11.62	19.80

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	116,424	198,313
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(51,186)	(66,820)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(51,186)	(66,820)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	65,238	131,493
Attributable to:		
Owners of the Company	65,238	131,493

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		462,081	497,597
Investment property		519,556	503,556
Prepaid land lease payments		16,664	17,653
Intangible asset		5,559	5,559
Deferred tax assets		14,444	15,270
Prepayments		45	146
Total non-current assets		1,018,349	1,039,781
CURRENT ASSETS			
Inventories		242,906	274,605
Trade receivables	9	267,693	251,967
Prepayments, deposits and other receivables		43,697	44,087
Pledged deposits		21,935	22,495
Cash and cash equivalents		616,788	830,572
Total current assets		1,193,019	1,423,726
CURRENT LIABILITIES			
Trade payables	10	128,774	131,300
Other payables and accruals		104,248	103,889
Tax payable		10,204	46,076
Total current liabilities		243,226	281,265
NET CURRENT ASSETS		949,793	1,142,461
TOTAL ASSETS LESS CURRENT LIABILITIES		1,968,142	2,182,242

	As at 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
NON-CURRENT LIABILITY		
Deferred tax liability	2,561	2,680
Total non-current liability	2,561	2,680
Net assets	1,965,581	2,179,562
EQUITY		
Equity attributable to owners of the Company		
Share capital	100,153	100,153
Reserves	1,865,428	2,079,409
Total equity	1,965,581	2,179,562

NOTES TO INTERIM CONDENSED CONSOLIDATED 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, up to 30 September 2016 is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands, on or after 1 October 2016, is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. In the opinion of the Directors, the controlling shareholders of the Company 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 on 6 December 2011.

2. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2016 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 consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 June 2016.

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

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

For the six months ended 31 December 2016 (unaudited)

	Retail HK$'000	Manufacturing HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	72,264	914,858	4,404	991,526
Intersegment sales	–	29,147	–	29,147
	72,264	944,005	4,404	1,020,673
Reconciliation:				
Elimination of intersegment sales	–	(29,147)	–	(29,147)
Total revenue				991,526
Segment results	(4,241)	138,716	17,456	151,931
Reconciliation:				
Corporate and other unallocated expenses, net				(15,147)
Profit before tax				136,784
Other segment information:				
Depreciation of items of property, plant and equipment	3,264	19,189	–	22,453
Unallocated depreciation of items of property, plant and equipment	–	–	–	1,275
				23,728
Amortization of prepaid land lease payments	–	207	–	207
Write-down of inventories to net realizable value	3,118	4,591	–	7,709
Operating lease rentals	14,680	2,599	–	17,279
Capital expenditure*	1,919	2,863	–	4,782

For the six months ended 31 December 2015 (unaudited)

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

* 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 2016 and 30 June 2016, the date of the last annual consolidated financial statements:

As at 31 December 2016 (unaudited)

	Retail HK$'000	Manufacturing HK$'000	Property investment HK$'000	Total HK$'000
Segment assets	132,033	1,963,031	524,590	2,619,654
Reconciliation:				
Elimination of intersegment receivables				(661,861)
Corporate and other unallocated assets				253,575
Total assets				2,211,368
Segment liabilities	108,968	231,992	566,568	907,528
Reconciliation:				
Elimination of intersegment payables				(661,861)
Corporate and other unallocated liabilities				120
Total liabilities				245,787

As at 30 June 2016 (audited)

	Retail HK$'000	Manufacturing HK$'000	Property investment HK$'000	Total HK$'000
Segment assets	123,805	2,121,187	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	95,171	273,508	566,320	934,999
Reconciliation:				
Elimination of intersegment payables				(651,696)
Corporate and other unallocated liabilities				642
Total liabilities				283,945

Geographical information

(a) Revenue from external customers

	For the six months ended 31 December	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Revenue		
North America	382,535	893,545
Europe	252,284	397,400
Mainland China, Hong Kong, Macau and Taiwan	188,302	170,874
Other Asian countries	135,811	188,833
Others	32,594	37,735
	991,526	1,688,387

The revenue information above is based on the location of the customers.

(b) ***Non-current assets***

	As at 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
Mainland China, Hong Kong and Macau	1,003,905	1,024,511

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 2016, revenue derived from sales by the manufacturing segment to two major customers respectively amounting to HK$176,509,000 (unaudited) and HK$143,228,000 (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 2015, revenue derived from sales by the manufacturing 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.

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 period.

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

	For the six months ended 31 December	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Revenue		
Sale of goods	987,122	1,688,387
Gross rental income	4,404	–
	991,526	1,688,387
Other income and gains		
Fair value gain on investment property	16,000	–
Sample and material income, net	2,776	934
Interest income	3,852	10,530
Investment income	–	1,227
Exchange gain, net	12,554	–
Others	1,012	1,097
	36,194	13,788

5. Profit Before Tax

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

	For the six months ended 31 December	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Cost of inventories sold	714,718	1,220,607
Employee benefit expense including Directors' remuneration		
– Wages and salaries	278,973	411,263
– Pension scheme contributions	9,995	14,200
– Equity-settled share option expense	1,210	1,357
	290,178	426,820
Depreciation of items of property, plant and equipment	23,728	25,864
Amortization of prepaid land lease payments	207	223
Operating lease rentals	17,279	23,985
Write-down of inventories to net realizable value	7,709	2,465
Auditors' remuneration	800	800
Exchange (gain)/loss, net	(12,554)	12,596

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 2015: 16.5%) on the estimated 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 arising in Macau during the six months ended 31 December 2016 (six months ended 31 December 2015: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2015: 25%) of the assessable profit of the subsidiaries in Mainland China as determined in accordance with the PRC Corporate Income Tax Law for the six months ended 31 December 2016.

The major components of income tax expense/(credit) are as follows:

	For the six months ended 31 December	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Current – Hong Kong		
Charge for the period	16,310	25,002
Current – Mainland China		
Charge for the period	5,346	25,905
Deferred tax	(1,296)	1,156
Total tax charged for the period	20,360	52,063

7. Dividends

	For the six months ended 31 December	
	2016	2015
	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 2016: HK13 cents (year ended 30 June 2015: HK13 cents)	130,199	130,199
Special dividend for the year ended 30 June 2016: HK15 cents (year ended 30 June 2015: nil)	150,230	–
	280,429	130,199
Dividends on ordinary shares proposed for approval (not recognized as a liability as at 31 December):		
Proposed interim – HK6 cents per ordinary share (six months ended 31 December 2015: HK10 cents)	60,092	100,153

On 27 February 2017, the Board of Directors of the Company resolved to propose an interim dividend for the six months ended 31 December 2016 of HK6 cents (six months ended 31 December 2015: HK10 cents) per ordinary share out of the consolidated retained profits of the Group as at 31 December 2016.

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 2016 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 2015: 1,001,532,000) in issue during six months ended 31 December 2016.

For the six months ended 31 December 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 were higher than the average market price of the shares of the Company (six months ended 31 December 2015: nil).

9. Trade Receivables

	As at 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
Trade receivables	268,197	252,471
Impairment	(504)	(504)
	267,693	251,967

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 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
Within 90 days	257,269	245,025
91 to 180 days	5,471	5,093
Over 180 days	4,953	1,849
	267,693	251,967

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

	As at 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
At beginning of period/year	504	504
Impairment losses recognized	–	–
	504	504

As at 31 December 2016, 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 2016: HK$504,000) with a carrying amount before provision of HK$662,000 (30 June 2016: HK$662,000).

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 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
Neither past due nor impaired	188,364	168,462
Past due but not impaired:		
Less than 90 days	74,182	81,365
91 to 180 days	4,553	1,951
Over 180 days	436	31
	267,535	251,809

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 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
Trade payables	128,774	131,300

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 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
Within 90 days	124,484	124,746
91 to 180 days	1,151	3,264
181 to 365 days	919	2,632
Over 365 days	2,220	658
	128,774	131,300

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 2016 (30 June 2016: nil).

12. Commitments

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

	As at 31 December 2016 HK$'000 (Unaudited)	As at 30 June 2016 HK$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	832	837
Intangible asset	172	181
	1,004	1,018

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 interim condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Retail business

The Group is currently operating four brands under its retail business as at 31 December 2016, namely TUSCAN'S, Fashion & Joy, Kenneth Cole and Bruno Magli. 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. 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, specialising 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.

Although there is a slowdown in the retail environment, the Group's retail business achieved stable growth during the Period. Revenue generated from this segment reached approximately HK$72.3 million, up approximately 12.4% when compared with the previous financial period. Moreover, the Group launched its 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 strengthen its e-commerce development and is currently liaising with certain well-known e-commerce platforms to expand its retail business online.

The retail business development has continually been funded with the proceeds from the initial public offering (the "IPO").

Manufacturing business

During the Period, the Group's purchase orders received from its customers have decreased by approximately 42.8% when compared with the same period in the previous year, which was mainly due to decrease in demand for brand products in the worldwide market. However, the Group has been actively developing businesses with certain brands in the People's Republic of China ("PRC" or "China") and across the globe. The Group has maintained stable return with segment profit before tax to segment revenue ratio of approximately 14.7%. Manufacturing business had generated segment revenue of approximately HK$944.0 million with segment profit before tax of approximately HK$138.7 million.

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 optimisation 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.

The in-house Creative Center and R&D Center of the Group offer customers one-stop design, research, development and manufacturing solutions, which is essential to the Group to meet rapidly-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 a high level of craftsmanship, the Group is confident that it will strengthen its competitive edge in the industry, which in turn will attract and retain leading brands with products across the globe. 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.

Property investment business

In the view that the Hong Kong commercial office leasing market remained strong with tight supply and robust demand, the Group expanded to the property investment market in year 2016 by acquiring a commercial building located in East Kowloon of Hong Kong. This market is still driven by the financial industry with many enterprises occupying office space in Central, Causeway Bay, and nearby areas. Tenants from other industries, therefore, have been seeking prime offices in other areas, such as East Kowloon, mainly attributable to its convenient location, well-connected transportation options, and abundant lifestyle offerings such as shopping centers and entertainment facilities. The property investment segment is expected to generate stable returns for the Group. Property investment business had generated revenue of approximately HK$4.4 million with segment profit before tax of approximately HK$17.5 million during the six months ended 31 December 2016.

The use of proceeds from the IPO

The Group raised HK$718.2 million from the listing in December 2011. On 30 December 2016, the Board resolved to change the use of approximately HK$170.8 million out of the remaining unutilised IPO proceeds (the "Proposed Change"), since the Company expected that the existing manufacturing capacity would be sufficient for fulfilling the future demand and potential growth, and the Board intended to put more effort on developing the Group's retail business and to fulfill the working capital requirements. The Board considers that the Proposed Change is in the best interest of the Company and its shareholders as a whole. The Proposed Change would allow the Company to deploy its financial resources more effectively. For details of the Proposed Change, please refer to the announcement of the Company dated 30 December 2016. The following table sets forth the status of use of proceeds from IPO:

	Use of IPO proceeds prior to the Proposed Change		The Proposed Change	Use of IPO proceeds subsequent to the Proposed Change	Used up to 31 December 2016	Unused balance up to 31 December 2016
	HK$'million approximately	Percentage approximately	HK$'million approximately	HK$'million approximately	HK$'million approximately	HK$'million approximately
Second phase of Yingde manufacturing facility	251.4	35%	(96.4)	155.0	155.0	–
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	(74.4)	69.2	59.2	10
Expansion of retail business	251.4	35%	150.8	402.2	240.3	161.9
Working capital	71.8	10%	20	91.8	71.8	20
	718.2	100%	–	718.2	526.3	191.9

Prospect

Looking ahead, the slowdown in China's economy creates more uncertainties and volatility, while keener competition is 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 brands across the globe and China as its new customers. At the same time, the Group will fully utilise the production capacity of manufacturing retractable luggage handle systems and hard cases, and deploy more resources to explore the growing travel goods market. In the coming six months, the Group will actively build partnerships with travel goods retailers in both international and China markets.

For the retail business, the Group will focus on enhancing its operational efficiency and achieving higher same store sales growth of its existing stores. It plans to set up new 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 its brand image. The Group is also actively liaising with certain international retail brands to introduce their products to the Greater China market in order to further diversify and enrich its retail brand portfolio.

For Fashion & Joy, since the target customers are young trend-setters, the Group will emphasise 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 above retail business development has been continually funded with the proceeds from the IPO.

Financial Review

Revenue

The revenue decreased by approximately 41.3% to approximately HK$991.5 million for the six months ended 31 December 2016 from approximately HK$1,688.4 million for the six months ended 31 December 2015. This decrease was primarily due to a decrease in demand from the brand customers.

Cost of sales

Cost of sales of the Group decreased by approximately 41.4% to approximately HK$714.7 million for the six months ended 31 December 2016 from approximately HK$1,220.6 million for the six months ended 31 December 2015. The decrease in cost of sales is in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately 40.8% to approximately HK$276.8 million for the six months ended 31 December 2016 from approximately HK$467.8 million for the six months ended 31 December 2015. Gross profit margin slightly increased to approximately 27.9% for the six months ended 31 December 2016 when compared with approximately 27.7% for the six months ended 31 December 2015.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 16.8% to approximately HK$69.5 million for the six months ended 31 December 2016 from approximately HK$83.5 million for the six months ended 31 December 2015. The decrease was primarily attributable to the tight cost control.

Administrative expenses

Administrative expenses decreased by approximately 21.4% to approximately HK$105.8 million for the six months ended 31 December 2016 from approximately HK$134.7 million for the six months ended 31 December 2015. The decrease was primarily attributable to the tight cost control.

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 six months ended 31 December 2016 and 2015 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.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit arising in Macau during the six months ended 31 December 2016 (six months ended 31 December 2015: nil).

The effective tax rate of the Group was 14.9% for the six months ended 31 December 2016 (31 December 2015: 20.8%). The decrease was due to the non-taxable income of increase in fair value of the investment property.

Profit for the Period

Profit for the Period decreased by approximately HK$81.9 million to approximately HK$116.4 million for the six months ended 31 December 2016 from approximately HK$198.3 million for the six months ended 31 December 2015. As a percentage of revenue, profit maintained at approximately 11.7% for the six months ended 31 December 2016 and 2015.

Capital expenditure

For the six months ended 31 December 2016, the capital expenditure of the Group amounted to approximately HK$4.8 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 2016 amounted to approximately HK$616.8 million (30 June 2016: approximately HK$830.6 million) which are mainly denominated in Hong Kong dollars, Renminbi, and United States dollars. 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 2016 and 30 June 2016 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 2016, 89.1% (year ended 30 June 2016: 95.7%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the transaction, whilst approximately 62.2% (year ended 30 June 2016: 56.1%) of costs were denominated in the units' functional currency. As at 31 December 2016, the Group had no foreign exchange forward contracts and other financial derivatives outstanding (30 June 2016: nil).

Pledge of Assets

As at 31 December 2016, approximately HK$21.9 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2016: approximately HK$22.5 million).

Inventory turnover days

Inventory turnover days increased to 70 days for the six months ended 31 December 2016 from 65 days for the year ended 30 June 2016. The increase in inventory turnover days was mainly due to the decrease in cost of sales.

Trade receivables turnover days

Trade receivables turnover days increased to 48 days for the six months ended 31 December 2016 compared with 40 days for the year ended 30 June 2016. The increase in trade receivables turnover days was mainly due to the decrease in revenue. The Group did not experience any significant credit risk due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days decreased to 49 days for the six months ended 31 December 2016 compared with 58 days for the year ended 30 June 2016. The decrease in trade payables turnover days was due to decrease in cost of sales.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 31 December 2016, 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 2016.

Employees

As at 31 December 2016, the Group had about 8,100 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 HK6 cents (six months ended 31 December 2015: HK10 cents) per share to the shareholders for the six months ended 31 December 2016 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 23 March 2017. It is expected that the interim dividend will be paid on or before 13 April 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 22 March 2017 and 23 March 2017, 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, Union Registrars Limited, 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 March 2017.

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 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 for the six months ended 31 December 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 risk management and 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 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 risk management over financial reporting system and internal control systems 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 2016 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 2016 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 2016.

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 2016.

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 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, 27 February 2017

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.