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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

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 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,916,937**	2,837,018
Cost of sales		**(1,398,803)**	(2,070,188)
Gross profit		**518,134**	766,830
Other income and gains	*4*	**62,148**	93,772
Selling and distribution expenses		**(134,885)**	(152,370)
Administrative expenses		**(207,129)**	(255,777)
Other expenses		**(1,874)**	(7,114)
PROFIT BEFORE TAX	*5*	**236,394**	445,341
Income tax expense	*6*	**(25,312)**	(75,199)
PROFIT FOR THE YEAR		**211,082**	370,142
Attributable to:			
Owners of the Company		**211,082**	370,142
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*8*	**21.08**	36.96

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June **2017** *HK$'000*	2016 *HK$'000*
PROFIT FOR THE YEAR	**211,082**	370,142
OTHER COMPREHENSIVE (EXPENSE)/ INCOME		
Exchange differences on translation of foreign operations	**(14,586)**	(83,953)
Gain on property revaluation	**24,688**	–
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR, NET OF TAX	**10,102**	(83,953)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**221,184**	286,189
Attributable to:		
Owners of the Company	**221,184**	286,189

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**462,572**	497,597
Investment properties		**571,556**	503,556
Prepaid land lease payments		**16,966**	17,653
Intangible asset		**5,734**	5,559
Deferred tax assets		**20,613**	15,270
Prepayments		**364**	146
Total non-current assets		**1,077,805**	1,039,781
CURRENT ASSETS			
Inventories		**239,023**	274,605
Trade receivables	*9*	**322,516**	251,967
Prepayments, deposits and other receivables		**42,043**	44,087
Pledged deposits		**22,798**	22,495
Time deposit with original maturity of more than three months		**34,565**	–
Cash and cash equivalents		**595,820**	830,572
Total current assets		**1,256,765**	1,423,726
CURRENT LIABILITIES			
Trade payables	*10*	**156,044**	131,300
Other payables and accruals		**97,949**	103,889
Tax payable		**15,476**	46,076
Total current liabilities		**269,469**	281,265
NET CURRENT ASSETS		**987,296**	1,142,461
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,065,101**	2,182,242
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,503**	2,680
Total non-current liabilities		**2,503**	2,680
Net assets		**2,062,598**	2,179,562
EQUITY			
Equity attributable to owners of the Company			
Share capital		**100,153**	100,153
Reserves		**1,962,445**	2,079,409
Total equity		**2,062,598**	2,179,562

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 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, retailing and wholesale of handbags, small leather goods, travel goods and footwear products, 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 (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have 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 Company and entities controlled by the Company (i.e. its subsidiaries) for the year ended 30 June 2017. 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 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 Group has adopted the following new and revised standards IFRSs for the first time for the current year's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the new and revised IFRSs has had no significant financial effect on these consolidated financial statements and there have been no significant changes to the accounting policies applied in these 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) Retail: manufactures, retails and wholesales handbags, small leather goods, travel goods and footwear products for the brands owned or licensed by the Group, and provision of handbag and accessories design, 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 spaces 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 2017			
	Retail	Manufacturing	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	**159,501**	**1,748,287**	**9,149**	**1,916,937**
Intersegment sales	**–**	**68,390**	**–**	**68,390**
	159,501	**1,816,677**	**9,149**	**1,985,327**
Reconciliation:				
Elimination of intersegment sales	**–**	**(68,390)**	**–**	**(68,390)**
Total revenue				**1,916,937**
Segment results	**3,729**	**200,330**	**41,509**	**245,568**
Reconciliation:				
Corporate and other unallocated expenses, net				**(9,174)**
Profit before tax				**236,394**
Segment assets	**158,708**	**2,113,220**	**550,150**	**2,822,078**
Reconciliation:				
Elimination of intersegment receivables				**(681,597)**
Corporate and other unallocated assets				**194,089**
Total assets				**2,334,570**
Segment liabilities	**127,439**	**258,734**	**566,822**	**952,995**
Reconciliation:				
Elimination of intersegment payables				**(681,597)**
Corporate and other unallocated liabilities				**574**
Total liabilities				**271,972**
Other segment information:				
Depreciation of items of property, plant and equipment	**5,942**	**37,684**	**–**	**43,626**
Unallocated depreciation of items of property, plant and equipment				**2,529**
				46,155
Amortization of prepaid land lease payments	**–**	**414**	**–**	**414**
Write-down of inventories to net realizable value	**3,474**	**1,884**	**–**	**5,358**
Operating lease rentals	**29,077**	**4,903**	**–**	**33,980**
Capital expenditure*	**3,388**	**16,908**	**1,391**	**21,687**

	Year ended 30 June 2016			
	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	95,084	2,741,633	301	2,837,018
Intersegment sales	24,533	26,221	–	50,754
	119,617	2,767,854	301	2,887,772
Reconciliation:				
Elimination of intersegment sales	(24,533)	(26,221)	–	(50,754)
Total revenue				2,837,018
Segment results	(5,204)	410,071	65,645	470,512
Reconciliation:				
Corporate and other unallocated expenses, net				(25,171)
Profit before tax				445,341
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
Other segment information:				
Depreciation of items of property, plant and equipment	8,585	42,030	–	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	990	5,007	–	5,997
Operating lease rentals	37,242	6,347	–	43,589
Capital expenditure*	10,820	14,410	447,605	472,835
Unallocated capital expenditure*				112,395
				585,230

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

Geographical information

(a) Revenue from external customers

	Year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
North America	**661,532**	1,437,276
Europe	**505,598**	625,891
Mainland China, Hong Kong, Macau and Taiwan	**366,105**	321,646
Other Asian countries	**316,475**	370,050
Others	**67,227**	82,155
	1,916,937	2,837,018

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

(b) Non-current assets

	As at	As at
	30 June 2017	30 June 2016
	HK$'000	*HK$'000*
Mainland China, Hong Kong and Macau	**1,057,192**	1,024,511

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 2017, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$302,827,000 and HK$251,471,000 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 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.

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 properties during the year.

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

	Year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,907,788**	2,836,717
Gross rental income	**9,149**	301
	1,916,937	2,837,018
Other income and gains		
Fair value gain on investment properties	**40,609**	–
Gain on bargain purchase	**–**	70,000
Net sample and material income	**6,245**	5,324
Exchange gain, net	**5,324**	–
Interest income	**4,257**	13,932
Investment income	**2,702**	3,846
Government grants	**2,326**	281
Others	**685**	389
	62,148	93,772

5. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**1,398,803**	2,070,188
Employee benefit expense (including Directors' and chief executive's remuneration)		
– Wages and salaries	**536,577**	731,496
– Equity-settled share option expense	**2,373**	3,780
– Pension scheme contributions	**22,091**	26,776
	561,041	762,052

	Year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Depreciation of items of property, plant and equipment	**46,155**	50,705
Amortization of prepaid land lease payments	**414**	442
Operating lease rentals	**33,980**	43,589
Gain on bargain purchase	**–**	(70,000)
Fair value gain on investment properties	**(40,609)**	–
Write-down of inventories to net realizable value	**5,358**	5,997
Loss on disposal of items of property, plant and equipment	**1,794**	1,027
Auditors' remuneration	**2,000**	2,100
Exchange (gain)/loss, net	**(5,324)**	5,631

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 2017 (2016: 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 (2016: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2017 (2016: 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/(credit) are as follows:

	Year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**28,470**	50,418
Adjustments in respect of current income tax of previous years	**(141)**	(1,753)
Current – Mainland China		
Charge for the year	**5,922**	25,467
Adjustments in respect of current income tax of previous years	**(3,288)**	–
Deferred tax	**(5,651)**	1,067
Total tax charge for the year	**25,312**	75,199

7. DIVIDENDS

	Year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interim – 2017: HK6 cents per ordinary share (2016: HK10 cents per ordinary share)	**60,092**	100,153
Proposed final – 2017: HK6 cents per ordinary share (2016: HK13 cents per ordinary share) *(note)*	**60,092**	130,199
Proposed special – 2017: nil (2016: HK15 cents per ordinary share) *(note)*	**–**	150,230
	120,184	380,582

Note:

On 18 September 2017, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2017 of HK6 cents (year ended 30 June 2016: a final dividend of HK13 cents and a special dividend of HK15 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2017 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 years ended 30 June 2017 and 2016 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (year ended 30 June 2016: 1,001,532,000) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**211,082**	370,142

	Year ended 30 June	
	2017	2016
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 2017, 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 (2016: nil).

9. TRADE RECEIVABLES

	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000
Trade receivables	**323,020**	252,471
Impairment	**(504)**	(504)
	322,516	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 30 June 2017 HK$'000	As at 30 June 2016 HK$'000
Within 90 days	**294,804**	245,025
91 to 180 days	**22,740**	5,093
Over 180 days	**4,972**	1,849
	322,516	251,967

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

	As at 30 June 2017 HK$'000	As at 30 June 2016 HK$'000
At beginning and end of year	**504**	504

Included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK$504,000 (2016: HK$504,000) with a carrying amount before provision of HK$561,000 (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, 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 2017	As at 30 June 2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**204,989**	168,462
Past due but not impaired:		
Less than 90 days	**106,427**	81,365
91 to 180 days	**10,484**	1,951
Over 180 days	**559**	31
	322,459	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

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 2017	As at 30 June 2016
	HK$'000	*HK$'000*
Within 90 days	**143,122**	124,746
91 to 180 days	**9,479**	3,264
181 to 365 days	**479**	2,632
Over 365 days	**2,964**	658
	156,044	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. COMMITMENTS

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

	As at 30 June 2017 *HK$'000*	As at 30 June 2016 *HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**168**	837
Intangible asset	**–**	181
	168	1,018

12. EVENTS AFTER THE REPORTING PERIOD

There was no significant event 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

Retail business

The Group is currently operating four brands under its retail business as at 30 June 2017, 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.

The retail business has shown significant recovery for the year ended 30 June 2017. Revenue generated from this segment reached approximately HK$159.5 million, up approximately 33.3% when compared with the same period in the previous year. The retail segment has also recorded a segment profit of approximately HK$3.7 million for the year ended 30 June 2017 as opposed to a segment loss of approximately HK$5.2 million in the same period in previous year. It is mainly due to 1) the Group's efforts in enhancing its retail channel structure and store efficiency; 2) the revenue contribution from its wholesale business; and 3) the implementation of cost control policies.

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 year ended 30 June 2017, the Group's purchase orders received from its segment customers have decreased by approximately 34.4% when compared with the same period in the previous year, which was mainly due to a 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 11.0%. The manufacturing business has generated segment revenue of approximately HK$1,816.7 million with segment profit before tax of approximately HK$200.3 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, this includes sourcing quality raw materials with competitive price, continuing to optimise and streamline production procedures to boost competitiveness of the Group and satisfying brand customers' demands. The Group has made its best endeavours to tap new opportunities under a challenging business environment.

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. In addition, the Company's offices located at 4-5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong ceased for own use during the year ended 30 June 2017 and were transferred to investment properties for rental income or capital appreciation purpose. The property investment segment is expected to generate stable returns for the Group. The property investment business has generated revenue of approximately HK$9.1 million with segment profit before tax of approximately HK$41.5 million during the year ended 30 June 2017 as a result of fair value gain on investment properties of approximately HK$40.6 million.

PRODUCT RESEARCH, DEVELOPMENT AND DESIGN

The in-house Creative Centre and R&D Centre 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, the Group 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 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 in 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 30 June 2017**	**Unused balance up to 30 June 2017**
	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	61.8	7.4
Expansion of retail business	251.4	35%	150.8	402.2	260.9	141.3
Working capital	71.8	10%	20	91.8	91.8	–
	718.2	100%	–	718.2	569.5	148.7

FINANCIAL REVIEW

Revenue

Revenue of the Group represents proceeds from handbags, small leather goods and travel goods sold to brand customers, as well as TUSCAN'S, Fashion & Joy, Kenneth Cole and Bruno Magli branded products sold through the retail stores in China, Hong Kong and Macau or from its wholesale customers and rental income from the investment properties.

The Group's revenue decreased by approximately 32.4% to approximately HK$1,916.9 million for the year ended 30 June 2017 from approximately HK$2,837.0 million for the year ended 30 June 2016. This decrease was primarily due to the decrease in demand from brand customers.

Cost of sales

Cost of sales of the Group decreased by approximately 32.4% to approximately HK$1,398.8 million for the year ended 30 June 2017 from approximately HK$2,070.2 million for the year ended 30 June 2016. Cost of sales decreased in line with the decrease in revenue as a result of the decrease in the sales orders received from the customers.

Gross profit and gross profit margin

Gross profit decreased by approximately 32.4% to approximately HK$518.1 million for the year ended 30 June 2017 from approximately HK$766.8 million for the year ended 30 June 2016. The gross profit margin remained stable at approximately 27.0% for both of the years ended 30 June 2017 and 2016.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 11.5% to approximately HK$134.9 million for the year ended 30 June 2017 from approximately HK$152.4 million for the year ended 30 June 2016. The decrease was primarily attributable to the tight cost control.

Administrative expenses

Administrative expenses decreased by approximately 19.0% to approximately HK$207.1 million for the year ended 30 June 2017 from approximately HK$255.8 million for the year ended 30 June 2016. 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 years ended 30 June 2017 and 2016 on the estimated assessable profits arising in or derived from Hong Kong during the relevant year.

The PRC corporate income tax was based on a statutory rate of 25% (2016: 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 2017 (2016: nil).

The effective tax rate of the Group was decreased to approximately 10.7% for the year ended 30 June 2017 (30 June 2016: 16.9%), which was due to the aggregated result of (1) non-taxable income of fair value increase in investment properties of HK$40.6 million; (2) utilisation of certain tax loss in relevant subsidiaries; and (3) adjustments of over provision in taxation in prior years of approximately HK$3.4 million.

Profit for the year

Profit for the year decreased by approximately HK$159.0 million to approximately HK$211.1 million for the year ended 30 June 2017 from approximately HK$370.1 million for the year ended 30 June 2016.

Investment properties

As at 30 June 2017, the investment properties with carrying amount of approximately HK$571.6 million (2016: HK$503.6 million) are held under medium-term lease in Hong Kong.

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, 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 1**").

The Property 1 held by the Group is with a total gross floor area of approximately 70,000 square feet. The Property 1 was 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.

During the year ended 30 June 2017, the Company's offices located at 4–5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the "**Property 2**") ceased for own use and thus were transferred to investment properties. The Property 2 held by the Group has a total gross floor area of approximately 9,710 square feet and is held for rental income and capital appreciation purposes.

Capital expenditure

For the year ended 30 June 2017, the capital expenditure of the Group amounted to approximately HK$21.7 million, primarily due to the upgrading of existing manufacturing facilities, as well as the expansion of retail business.

Significant investments

The Group had no significant investments held during the year ended 30 June 2017.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 30 June 2017.

Treasury policy

The Group adopts treasury policy that aims to better control its treasury operations and lower borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

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 2017 amounted to approximately HK$595.8 million (30 June 2016: 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 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 2017 and 2016, thus, no gearing ratio was presented.

Foreign exchange risk

The Group has had transactional currency exposures for the year ended 30 June 2017. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During the year ended 30 June 2017, 89.4% (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 sale, whilst approximately 61.3% (30 June 2016: 56.1%) of the costs were denominated in the units' functional currency.

As at 30 June 2017 and 2016, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2017, approximately HK$22.8 million of time deposits were pledged as security for banking facilities available to the Group (30 June 2016: HK$22.5 million).

Inventory turnover days

Inventory turnover days increased to 71 days for the year ended 30 June 2017 from 65 days for the year ended 30 June 2016. The increase in inventory turnover days was due to the decrease in cost of sales.

Trade receivables turnover days

Trade receivables turnover days increased to 55 days for the year ended 30 June 2017 compared with 40 days for the year ended 30 June 2016. The increase in turnover days was mainly due to lower turnover in fiscal year 2016/2017 compared with fiscal year 2015/2016. The Group did not experience any significant credit risks due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days slightly decreased to 55 days for the year ended 30 June 2017 compared with 58 days for the year ended 30 June 2016. Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 30 June 2017, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2017, the Group had about 8,500 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.

PROPOSED FINAL DIVIDEND

An interim dividend of HK6 cents per share was paid on 13 April 2017. The Directors recommended the payment of a final dividend of HK6 cents per share for the year ended 30 June 2017 (2016: a final dividend of HK13 cents and a special dividend of HK15 cents) to the shareholders whose names appeared on the register of members of the Company on Tuesday, 21 November 2017. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on Monday, 13 November 2017 (the "**2017 AGM**"), will be paid on or before Friday, 8 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 21 November 2017 and Wednesday, 22 November 2017, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, 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 Monday, 20 November 2017.

The register of members of the Company will be closed from Monday, 6 November 2017 to Monday, 13 November 2017 (both days inclusive), during which period no share transfer will be registered. The record date for determining shareholders of the Company who will be entitled to attend the 2017 AGM will be at the close of business on Monday, 6 November 2017. In order to be eligible to attend and vote at the 2017 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 Friday, 3 November 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 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 2017.

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 2017.

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 2017.

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, risk management over the 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 audit committee has reviewed and discussed the annual results of the Group for the year ended 30 June 2017.

AUDITORS

The Group's consolidated financial statements for the year ended 30 June 2017 have been audited by the Company's external auditors, Ernst & Young who has issued an unqualified opinion.

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 2017.

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 2017 will be despatched 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, 18 September 2017

As at the date of this announcement, the executive Directors are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, Mr. Yeung Andrew Kin and Mr. Lau Kin Shing, Charles; and the independent non-executive Directors are Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk.