時代集團控股有限公司
SITOY GROUP HOLDINGS LTD.

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 2018

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 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,305,796**	1,916,937
Cost of sales		**(1,668,577)**	(1,398,803)
Gross profit		**637,219**	518,134
Other income and gains	*4*	**78,105**	62,148
Selling and distribution expenses		**(196,909)**	(134,885)
Administrative expenses		**(224,476)**	(207,129)
Other expenses		**(11,742)**	(1,874)
PROFIT BEFORE TAX	*5*	**282,197**	236,394
Income tax expense	*6*	**(31,329)**	(25,312)
PROFIT FOR THE YEAR		**250,868**	211,082
Attributable to:			
Owners of the Company		**256,675**	211,082
Non-controlling interests		**(5,807)**	–
		250,868	211,082
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*8*	**25.63**	21.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**250,868**	211,082
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Exchange differences on translation of foreign operations	**2,430**	(14,586)
Gain on property revaluation	**–**	24,688
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,430**	10,102
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**253,298**	221,184
Attributable to:		
Owners of the Company	**259,105**	221,184
Non-controlling interests	**(5,807)**	–
	253,298	221,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2018** *HK$'000*	As at 30 June 2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**444,021**	462,572
Investment properties		**635,556**	571,556
Prepaid land lease payments		**17,035**	16,966
Intangible assets		**8,481**	5,734
Deferred tax assets		**24,537**	20,613
Prepayments		**983**	364
Total non-current assets		**1,130,613**	1,077,805
CURRENT ASSETS			
Inventories		**328,551**	239,023
Trade receivables	*9*	**515,500**	322,516
Prepayments, deposits and other receivables		**74,591**	42,043
Pledged deposits		**23,699**	22,798
Time deposit with original maturity of more than three months		**35,583**	34,565
Cash and cash equivalents		**447,552**	595,820
Total current assets		**1,425,476**	1,256,765
CURRENT LIABILITIES			
Trade payables	*10*	**216,170**	156,044
Other payables and accruals		**120,706**	97,949
Tax payable		**11,264**	15,476
Total current liabilities		**348,140**	269,469
NET CURRENT ASSETS		**1,077,336**	987,296
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,207,949**	2,065,101
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,363**	2,503
Deferred income		**3,610**	–
Total non-current liabilities		**5,973**	2,503
Net assets		**2,201,976**	2,062,598
EQUITY			
Share capital		**100,153**	100,153
Reserves		**2,102,127**	1,962,445
Equity attributable to owners of the Company		**2,202,280**	2,062,598
Non-controlling interests		**(304)**	–
Total equity		**2,201,976**	2,062,598

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 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 ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") 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 2018. 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 IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]

Other than as explained below impact, the adoption of the above revised standards has had no significant financial effect on these financial statements. The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

    The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group does not have any subsidiary being classified as a disposal group held for sale as at 30 June 2018 and so no additional information is required to be disclosed.

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, which is a measure of adjusted profit before tax. The adjusted profit 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 2018			
	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**315,519**	**1,978,145**	**12,132**	**2,305,796**
Intersegment sales	**–**	**122,265**	**3,072**	**125,337**
	315,519	**2,100,410**	**15,204**	**2,431,133**
Reconciliation:				
Elimination of intersegment sales	**–**	**(122,265)**	**(3,072)**	**(125,337)**
Total revenue				**2,305,796**
Segment results	**22,144**	**198,819**	**68,752**	**289,715**
Reconciliation:				
Corporate and other unallocated expenses				**(7,518)**
Profit before tax				**282,197**
Segment assets	**306,731**	**2,321,339**	**657,081**	**3,285,151**
Reconciliation:				
Elimination of intersegment receivables				**(880,189)**
Corporate and other unallocated assets				**151,127**
Total assets				**2,556,089**
Segment liabilities	**362,529**	**304,607**	**566,883**	**1,234,019**
Reconciliation:				
Elimination of intersegment payables				**(880,189)**
Corporate and other unallocated liabilities				**283**
Total liabilities				**354,113**
Other segment information:				
Depreciation of items of property, plant and equipment	**6,434**	**37,148**	**–**	**43,582**
Unallocated depreciation of items of property, plant and equipment				**2,529**
				46,111
Amortization of prepaid land lease payments	**–**	**425**	**–**	**425**
Amortization of intangible assets	**387**	**–**	**–**	**387**
(Reversal)/write-down of inventories to net realizable value	**(3,532)**	**1,071**	**–**	**(2,461)**
Operating lease rentals	**49,625**	**4,711**	**–**	**54,336**
Capital expenditure*	**12,924**	**10,497**	**1,006**	**24,427**

	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				(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

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

Geographical information

(a) Revenue from external customers

	Year ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
North America	**633,611**	661,532
Mainland China, Hong Kong, Macau and Taiwan	**630,654**	366,105
Europe	**574,516**	505,598
Other Asian countries	**385,417**	316,475
Other countries/regions	**81,598**	67,227
	2,305,796	1,916,937

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

(b) Non-current assets

	As at 30 June 2018	As at 30 June 2017
	HK$'000	*HK$'000*
Mainland China, Hong Kong and Macau	**1,106,076**	1,057,192

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 2018, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$394,093,000 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 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.

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	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**2,293,664**	1,907,788
Gross rental income	**12,132**	9,149
	2,305,796	1,916,937
Other income and gains		
Fair value gain on investment properties	**62,994**	40,609
Net sample and material income	**4,483**	6,245
Exchange gain, net	**–**	5,324
Interest income	**5,778**	4,257
Investment income	**2,801**	2,702
Government grants	**1,430**	2,326
Others	**619**	685
	78,105	62,148

5. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**1,668,577**	1,398,803
Employee benefit expense (including Directors' and chief executive's remuneration)		
– Wages and salaries	**612,805**	536,577
– Equity-settled share option expense	**761**	2,373
– Pension scheme contributions	**25,423**	22,091
	638,989	561,041

	Year ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Depreciation of items of property, plant and equipment	**46,111**	46,155
Amortization of prepaid land lease payments	**425**	414
Amortization of intangible assets	**387**	–
Operating lease rentals	**54,336**	33,980
Fair value gain on investment properties	**(62,994)**	(40,609)
(Reversal)/write-down of inventories to net realizable value	**(2,461)**	5,358
Loss on disposal of items of property, plant and equipment	**946**	1,794
Auditors' remuneration	**2,200**	2,000
Exchange loss/(gain), net	**8,195**	(5,324)

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 30 June 2018 (2017: 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 (2017: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2018 (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**20,134**	28,470
Adjustments in respect of current income tax of previous years	**77**	(141)
Current – Mainland China		
Charge for the year	**16,882**	5,922
Adjustments in respect of current income tax of previous years	**(2,154)**	(3,288)
Deferred tax	**(3,610)**	(5,651)
Total tax charge for the year	**31,329**	25,312

7. DIVIDENDS

	Year ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interim – 2018: HK6 cents per ordinary share (2017: HK6 cents per ordinary share)	**60,092**	60,092
Proposed final – 2018: HK6 cents per ordinary share (2017: HK6 cents per ordinary share) *(i)*	**60,092**	60,092
	120,184	120,184

Note:

(i) On 17 September 2018, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2018 of HK6 cents (year ended 30 June 2017: a final dividend of HK6 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2018 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 2018 and 2017 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 2017: 1,001,532,000) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**256,675**	211,082

	Year ended 30 June	
	2018	2017
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 2018, 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 (year ended 30 June 2017: nil).

9. TRADE RECEIVABLES

	As at 30 June 2018 *HK$'000*	As at 30 June 2017 *HK$'000*
Trade receivables	**515,960**	323,020
Impairment	**(460)**	(504)
	515,500	322,516

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 aging 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 2018 *HK$'000*	As at 30 June 2017 *HK$'000*
Within 90 days	**495,231**	294,804
91 to 180 days	**10,643**	22,740
Over 180 days	**9,626**	4,972
	515,500	322,516

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

	As at 30 June 2018 *HK$'000*	As at 30 June 2017 *HK$'000*
At beginning of year	**504**	504
Impairment losses reversed	**(44)**	–
	460	504

Included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK$460,000 (2017: HK$504,000) with a carrying amount before provision of HK$460,000 (2017: HK$561,000), which is included in the impaired trade receivables.

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 aging analysis of the trade receivables that are not individually nor collectively considered to be impaired, regardless of whether they are past due or not, is as follows:

	As at 30 June 2018	As at 30 June 2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**401,782**	204,989
Past due but not impaired:		
Less than 90 days	**104,159**	106,427
91 to 180 days	**8,819**	10,484
Over 180 days	**740**	559
	515,500	322,459

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 aging 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 2018	As at 30 June 2017
	HK$'000	*HK$'000*
Within 90 days	**197,150**	143,122
91 to 180 days	**8,563**	9,479
181 to 365 days	**7,421**	479
Over 365 days	**3,036**	2,964
	216,170	156,044

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 2018	As at 30 June 2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	–	168

12. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 July 2018, 9,000,000 award shares were granted to selected participants of the Company. Among the 9,000,000 award shares granted, a total of 2,646,000 award shares (representing approximately 0.26% of the total number of shares in issues as at the date of this report) were granted to an executive Director of the Company.

(b) On 7 September 2018, by virtue of an assignment, Sitoy International Limited, a wholly-owned subsidiary of the Company, assumed all the rights and obligations of Oasis Giant Pte. Ltd. (a company wholly-owned by a director of a subsidiary of the Company) under a memorandom of understanding ("**MOU**"). Pursuant to the MOU, subject to the terms and conditions thereunder and a formal agreement, the sellers agreed to sell, and the Group agreed to purchase approximately 95.35% of the entire issued share capital of a target company at the consideration of Euro 9,535,210 (equivalent to approximately HK$86,975,418) (subject to adjustments).

Subject to negotiations, the Group is also considering the acquisition of the remaining approximately 4.65% equity interest in the target company.

The target company owns an international famous retail brand with heritage history and is principally engaged in wholesale and retail of leatherware, fashion garments and apparel.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail business

The Group's retail business has achieved a major breakthrough and brought a considerable contribution to the Group's attributable profit for the year ended 30 June 2018 ("**FY 2018**" or "**Year under Review**"). Revenue generated from this segment soared by approximately 97.8% year-on-year to approximately HK$315.5 million for FY2018. The profit before tax of the retail segment was approximately HK$22.1 million for FY2018, representing a growth of approximately 493.8% when compared to the previous year. The significant improvement in profit was mainly attributable to the increased contribution to revenue from licensed brands, thanks to the Group's strategies to enrich the retail brand portfolio. Revenue from the wholesale business and improved operating leverage also contributed to the improvement of the financial results.

With a vision to diversify its business and tap growing demand for affordable quality handbags and leather goods in Hong Kong and mainland China, the Group made inroads into retail business in 2011 with the introduction of TUSCAN'S to these two markets and subsequently the launch of Fashion & Joy. In view of the growing demand for fashion goods, the Group took a bold move and started to enrich its brand portfolio by obtaining exclusive rights for distribution and operation of global brands in mainland China and Hong Kong in 2016.

The strategy was proved highly effective as the Group now has a more diversified range of products catering for demands of different customer groups. The Group operated seven brands as at 30 June 2018. TUSCAN'S and Fashion & Joy are self-owned brands of the Group. TUSCAN'S is a brand of high quality handbags originated in Italy, while Fashion & Joy is a self-developed brand focusing on stylish travel luggage and business accessories designed and expertly crafted for bold and young trend-setters. The other five brands, namely Kenneth Cole, Cole Haan, Jockey*, a.testoni* and i29*, are exclusive licensed brands, each with its own history and unique characters targeting different customer groups. The licensed brands not only provided a new stream of revenue for the Group's retail business but also expanded its product range from handbags to male and female footwear and apparel products with diversified product collections.

The Group also made good use of its product design and development resources and strong in-house manufacturing capabilities for the two self-owned brands and the licensed brand Kenneth Cole. For example, a design team dedicated to developing handbags for Kenneth Cole and another team to expanding the footwear offerings for Kenneth Cole were set up. The design team of TUSCAN'S and Fashion & Joy was also expanded in order to develop a more comprehensive product range. The Group is pleased to see that the new product designs are improving and have quickly attracted a large following among China's upwardly mobile consumers. The Group's targeted marketing campaigns have also successfully increased brand awareness and increased store traffic, which contributed to the growth in market demand.

As regards retail mode, the Group opened its first Fashion & Joy integrated flagship store during the Year under Review, which will carry products across different brands catering for the demand from the younger generation. The Group also continued operating standalone stores and concessionary counters at department stores.

On the digital front, the Group continued to strengthen its e-commerce development with most of its brands already available on Tmall. The Group is currently liaising with other well-known e-commerce platforms to expand its online retail business.

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 2018, the Group's purchase orders received from its external customers have increased by approximately 13.1% when compared with the corresponding period last year, which was mainly due to an increase in demand for brand products in the worldwide market and the result of successfully establishing business relationship with certain brands in mainland China and across the globe. The Group has maintained stable return with segment result of profit before tax to segment revenue ratio of approximately 10.1%. The manufacturing business has generated segment revenue from external customers of approximately HK$1,978.1 million with segment result of profit before tax of approximately HK$198.8 million.

* *mainland China only*

Although minimum wage level in mainland China has been on the rise in recent years, China's core competitiveness nowadays lies 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 services and providing quality products to its brand customers, and maintaining smooth and efficient logistics to deliver products to both Chinese and international markets in a timely manner.

Cost optimisation is one of the Group's key strategies to maintain considerable returns. Despite rising labour cost and keener competition, the Group continuously upgrades itself to meet the higher requirements of both existing and new customers, which include sourcing quality raw materials with competitive prices, 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 robust with tight supply and robust demand, the Group expanded to the property investment market in 2016 by acquiring a commercial building located in East Kowloon of Hong Kong located at 164 Wai Yip Street, Kwun Tong with Kwun Tong Inland lot number 316. Prime office locations such as Central, Causeway Bay and nearby areas are occupied by enterprises and companies of the financial industry. Tenants from other industries, therefore, have to seek prime offices in other areas, such as East Kowloon, which are getting popular because of convenient locations, well-connected transportation options, and abundant lifestyle offerings such as shopping centres and entertainment facilities. In addition, the Company's office premise located at 4-5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong ceased for own use and was transferred to investment properties for rental income or capital appreciation purpose in early 2017. The property investment segment is expected to generate stable returns for the Group. The property investment business has generated revenue of approximately HK$12.1 million with segment result of profit before tax of approximately HK$68.8 million during the year ended 30 June 2018 as a result of fair value gain on investment properties of approximately HK$63.0 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 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 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 Chinese brands of high-end and luxury products as its customers. In the future, the Group shall source quality raw materials at competitive prices, 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 considered that the Proposed Change was 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 2018**	**Unused balance up to 30 June 2018**	**Expected timeline for unused IPO proceeds year ending**
	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	–	N/A
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	(74.4)	69.2	68.4	0.8	2019
Expansion of retail business	251.4	35%	150.8	402.2	371.2	31.0	2020
Working capital	71.8	10%	20.0	91.8	91.8	–	N/A
	718.2	100%	–	718.2	686.4	31.8	

PROSPECT

Looking forward, the Group will continue to push forward the general approach of increasing the proportion of retail sales. We will seek reliable distributors in some provinces and cities in China, and offer cooperation opportunities to distributors with sound operation history in certain cities by implementing a distribution system under a pragmatic and solid strategy, so as to increase sales channels and reputation of the brand in China, further fueling the growth of the retail business. The Group will also actively seek ideal locations for opening multi-brand stores to provide consumers with the best shopping experience. Furthermore, we will continue to keep an eye on any suitable brands with a view to enriching our brand portfolio for distribution and licensing.

In the second half of 2018, despite the challenges confronted by the manufacturing business due to impact of uncertainties arising from Sino-US trade war on global economy, the Group rose to the challenges under the leadership of experienced management team. Over the past two years, the Group was forward-looking in exploring markets outside North America to diversify risks. Meanwhile, the retail business, with years of cultivation, has also entered the stage of growth, becoming a new growth driver for the Group's profit. As the world's leading high-end and luxury brand and manufacturer of small leather goods, Sitoy Group is fully confident about facing challenges with the goal of achieving steady growth.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 20.3% to approximately HK$2,305.8 million for FY2018 from approximately HK$1,916.9 million for the year ended 30 June 2017 ("**FY2017**"). This rise was primarily due to the increase in demand from brand customers of manufacturing business and excellent performance of the retail business.

Cost of sales

Cost of sales of the Group increased by approximately 19.3% to approximately HK$1,668.6 million for FY2018 from approximately HK$1,398.8 million for FY2017. The increase in cost of sales was in line with revenue growth and as a result of the increase in the sales orders received from the customers.

Gross profit and gross profit margin

Gross profit increased by approximately 23.0% to approximately HK$637.2 million for FY2018 from approximately HK$518.1 million for FY2017. The gross profit margin slightly increased to approximately 27.6% for FY2018 from approximately 27.0% for FY2017.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 46.0% to approximately HK$196.9 million for FY2018 from approximately HK$134.9 million for FY2017. The increase was primarily attributable to the expansion of retail business.

Administrative expenses

Administrative expenses increased by approximately 8.4% to approximately HK$224.5 million for FY2018 from approximately HK$207.1 million for FY2017. The increase was primarily attributable to the hiring of more management staff to support the business expansion.

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 2018 and 2017 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% (2017: 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 2018 (2017: nil).

The effective tax rate of the Group increased slightly to approximately 11.1% for the year ended 30 June 2018 (30 June 2017: 10.7%).

Profit for the year

Profit for the year increased by approximately HK$39.8 million to approximately HK$250.9 million for FY2018 from approximately HK$211.1 million for FY2017.

Capital expenditure

For the year ended 30 June 2018, capital expenditure of the Group amounted to approximately HK$24.4 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 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during the year ended 30 June 2018.

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 2018 amounted to approximately HK$447.6 million (30 June 2017: HK$595.8 million), which are mainly denominated in Hong Kong dollars, Renminbi and US 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 2018 and 2017 and hence no gearing ratio was presented.

Foreign exchange risk

The Group has had transactional currency exposures for the year ended 30 June 2018. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During the year ended 30 June 2018, 85.1% (30 June 2017: 89.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 65.4% (30 June 2017: 61.3%) of the costs were denominated in the units' functional currency.

As at 30 June 2018 and 2017, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2018, approximately HK$23.7 million of time deposits were pledged as security for banking facilities available to the Group (30 June 2017: HK$22.8 million).

Inventory turnover days

Inventory turnover days decreased to 65 days for FY2018 from 71 days for FY2017. The decrease in inventory turnover days was due to the increase in cost of sales.

Trade receivables turnover days

Trade receivables turnover days increased to 66 days for FY2018 from 55 days FY2017. The increase in turnover days was mainly due to the higher average trade receivables balance. The Group did not experience any significant credit risks due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days slightly increased to 58 days for FY2018 from 55 days for FY2017. 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 2018, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2018, the Group had about 8,400 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 20 April 2018. The Directors recommended the payment of a final dividend of HK6 cents per share for the year ended 30 June 2018 (30 June 2017: HK6 cents per share) to the shareholders whose names appear on the register of members of the Company on Wednesday, 21 November 2018. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on Monday, 12 November 2018 (the "**2018 AGM**"), will be paid on or before Friday, 14 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 20 November 2018 and Wednesday, 21 November 2018, 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 Share 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, 19 November 2018.

The register of members of the Company will be closed from Monday, 5 November 2018 to Monday, 12 November 2018 (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 2018 AGM will be Monday, 12 November 2018. In order to be eligible to attend and vote at the 2018 AGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong Branch Share Registrar at the address stated above, for registration not later than 4:00 p.m. on Friday, 2 November 2018.

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 2018.

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 2018.

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 2018.

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 2018.

AUDITORS

The Group's consolidated financial statements for the year ended 30 June 2018 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 2018.

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 2018 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, 17 September 2018

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.