時 代 集 團 控 股 有 限 公 司
SITOY GROUP HOLDINGS LTD.

SITOY GROUP HOLDINGS LIMITED
時代集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*4*	**2,441,441**	2,305,796
Cost of sales		**(1,746,148)**	(1,668,577)
Gross profit		**695,293**	637,219
Other income and gains	*4*	**72,488**	78,105
Selling and distribution expenses		**(282,221)**	(196,909)
Administrative expenses		**(304,935)**	(224,476)
Other expenses		**(14,900)**	(11,742)
Finance costs		**(4,790)**	–
PROFIT BEFORE TAX	*5*	**160,935**	282,197
Income tax expense	*6*	**(48,145)**	(31,329)
PROFIT FOR THE YEAR		**112,790**	250,868
Attributable to:			
Owners of the Company		**125,566**	256,675
Non-controlling interests		**(12,776)**	(5,807)
		112,790	250,868
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic			
– For profit for the year (HK cents)		**12.97**	25.63
Diluted			
– For profit for the year (HK cents)		**12.91**	25.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**112,790**	250,868
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**404**	–
Income tax effect	**(97)**	–
	307	–
Exchange differences:		
Exchange differences on translation of foreign operations	**(49,275)**	2,430
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(48,968)**	2,430
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(48,968)**	2,430
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**63,822**	253,298
Attributable to:		
Owners of the Company	**76,598**	259,105
Non-controlling interests	**(12,776)**	(5,807)
	63,822	253,298

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2019** ***HK$'000***	As at 30 June 2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**409,471**	444,021
Investment properties		**733,095**	635,556
Prepaid land lease payments		**15,914**	17,035
Goodwill	*13*	**2,346**	–
Other intangible assets		**20,434**	8,481
Debt investments at fair value through other comprehensive income	*9*	**13,996**	–
Deferred tax assets		**33,213**	24,537
Other non-current assets		**7,489**	983
Total non-current assets		**1,235,958**	1,130,613
CURRENT ASSETS			
Inventories		**393,779**	328,551
Trade receivables	*10*	**485,699**	515,500
Prepayments, other receivables and other assets		**86,365**	74,591
Pledged deposits		**23,484**	23,699
Time deposit with original maturity of more than three months		**–**	35,583
Cash and cash equivalents		**406,779**	447,552
Total current assets		**1,396,106**	1,425,476
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*11*	**166,289**	–
Trade payables	*12*	**221,806**	216,170
Other payables and accruals		**155,928**	120,706
Tax payable		**22,858**	11,264
Total current liabilities		**566,881**	348,140
NET CURRENT ASSETS		**829,225**	1,077,336
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,065,183**	2,207,949
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,830**	2,363
Deferred income		**3,262**	3,610
Total non-current liabilities		**5,092**	5,973
Net assets		**2,060,091**	2,201,976
EQUITY			
Share capital		**96,543**	100,153
Treasury shares		**(19,910)**	–
Reserves		**1,988,666**	2,102,127
Equity attributable to owners of the Company		**2,065,299**	2,202,280
Non-controlling interests		**(5,208)**	(304)
Total equity		**2,060,091**	2,201,976

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, manufacture, sale, retailing and wholesale of handbags, small leather goods, travel goods and footwear products, the 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 debt investments at fair value through other comprehensive income and 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 2019. 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 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and *Annual Improvements to IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no significant impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has recognized the transition adjustments against the applicable opening balances in equity at 1 July 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the consolidated statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 July 2018 is as follows:

		IAS 39 measurement			**IFRS 9 measurement**	
	Note	**Category**	**Amount**	**ECLs**	**Amount**	**Category**
			HK$'000	*HK$'000*	*HK$'000*	
Financial assets						
Trade receivables	*(i)*	L&R[1]	515,960	(460)	515,500	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R[1]	26,531	–	26,531	AC[2]
Pledged deposits		L&R[1]	23,699	–	23,699	AC[2]
Time deposit with original maturity of more than three months		L&R[1]	35,583	–	35,583	AC[2]
Cash and cash equivalents		L&R[1]	447,552	–	447,552	AC[2]
			1,049,325	(460)	1,048,865	
Financial liabilities						
Trade payables		AC[2]	216,170	–	216,170	AC[2]
Financial liabilities included in other payables and accruals		AC[2]	30,307	–	30,307	AC[2]
			246,477	–	246,477	

[1] L&R: Loans and receivables

[2] AC: Financial assets or financial liabilities at amortized cost

Note:

(i) The gross carrying amounts of the trade receivables under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowances under IAS 39 at 30 June 2018 *HK$'000*	**Re-measurement** *HK$'000*	**ECL allowances under IFRS 9 at 1 July 2018** *HK$'000*
Trade receivables	460	–	460
Financial assets included in prepayments, other receivables and other assets	–	–	–
	460	–	460

Impact on reserves and retained profits

There was no impact of transition to IFRS 9 on reserves and retained profits.

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 July 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 July 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 July 2018 as a result of the adoption of IFRS 15:

	Note	**Increase/ (decrease)** *HK$'000*
Liabilities		
Other payables and accruals	*(ii)*	(6,648)
Contract liabilities	*(ii)*	6,648
Total liabilities		–
Equity		
Retained profits		–
Non-controlling interests		–
		–

Set out below are the amounts by which each financial statement line item was affected as at 30 June 2019 and for the year ended 30 June 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

– The consolidated statement of profit or loss for the year ended 30 June 2019 would have been the same if IFRS 15 had not been adopted.

– Consolidated statement of financial position as at 30 June 2019:

		Amounts prepared under		
	Note	**IFRS 15** *HK$'000*	**Previous IFRS** *HK$'000*	**Increase/ (decrease)** *HK$'000*
Other payables and accruals	*(ii)*	144,441	155,928	(11,487)
Contract liabilities	*(ii)*	11,487	–	11,487
		155,928	155,928	–

For the Group's business of the manufacture, sale, retailing and wholesale of handbags, small leather goods, travel goods and footwear products, the goods are sold on their own in separately identified contracts with customers.

(i) *Sale of goods*

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from the sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified HK$6,648,000 from other payables and accruals to contract liabilities as at 1 July 2018 in relation to the consideration received from customers in advance as at 1 July 2018.

As at 30 June 2019, under IFRS 15, HK$11,487,000 was reclassified from other payables and accruals to contract liabilities in relation to the consideration received from customers in advance for the sale of goods.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 purposes.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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 2019			
	Retail *HK$'000*	**Manufacturing** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**570,232**	**1,859,958**	**11,251**	**2,441,441**
Intersegment sales	**–**	**207,494**	**3,072**	**210,566**
	570,232	**2,067,452**	**14,323**	**2,652,007**
Reconciliation:				
Elimination of intersegment sales	**–**	**(207,494)**	**(3,072)**	**(210,566)**
Total revenue				**2,441,441**
Segment results	**7,927**	**132,358**	**42,313**	**182,598**
Reconciliation:				
Corporate and other unallocated expenses				**(21,663)**
Profit before tax				**160,935**
Segment assets	**618,734**	**2,138,008**	**760,383**	**3,517,125**
Reconciliation:				
Elimination of intersegment receivables				**(1,037,052)**
Corporate and other unallocated assets				**151,991**
Total assets				**2,632,064**
Segment liabilities	**750,766**	**291,045**	**567,053**	**1,608,864**
Reconciliation:				
Elimination of intersegment payables				**(1,037,052)**
Corporate and other unallocated liabilities				**161**
Total liabilities				**571,973**
Other segment information:				
Depreciation of items of property, plant and equipment	**9,669**	**35,367**	**–**	**45,036**
Unallocated depreciation of items of property, plant and equipment				**2,529**
				47,565
Amortization of prepaid land lease payments	**–**	**422**	**–**	**422**
Amortization of other intangible assets	**2,371**	**–**	**–**	**2,371**
Write-down/(reversal of write-down) of inventories to net realizable value	**32,670**	**(3,895)**	**–**	**28,775**
Impairment of other intangible assets	**3,316**	**–**	**–**	**3,316**
Operating lease rentals	**74,784**	**4,951**	**–**	**79,735**
Capital expenditure*	**7,140**	**7,176**	**340**	**14,656**

	Year ended 30 June 2018			
	Retail	Manufacturing	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 other intangible assets	387	–	–	387
(Reversal of write-down)/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

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

Geographical information

(a) ***Revenue from external customers***

	Year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
North America	**500,521**	633,611
Mainland China, Hong Kong, Macau and Taiwan	**902,726**	630,654
Europe	**541,473**	574,516
Other Asian countries	**434,092**	385,417
Other countries/regions	**62,629**	81,598
	2,441,441	2,305,796

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

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

	As at	As at
	30 June 2019	30 June 2018
	HK$'000	*HK$'000*
Mainland China, Hong Kong, Macau and Taiwan	**1,169,172**	1,106,076
Europe	**21,701**	–
Other Asian countries	**11,872**	–
	1,202,745	1,106,076

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

Information about a major customer

For the year ended 30 June 2019, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$333,016,000 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 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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**2,430,190**	2,293,664
Revenue from other sources		
Gross rental income	**11,251**	12,132
	2,441,441	2,305,796

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2019

Segments	**Retail**	**Manufacturing**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Type of goods or services			
Sale of goods	**570,232**	**1,859,958**	**2,430,190**
Geographical markets			
North America	**1,448**	**499,073**	**500,521**
Europe	**19,547**	**521,926**	**541,473**
Mainland China, Hong Kong, Macau and Taiwan	**514,006**	**377,469**	**891,475**
Other Asian countries	**35,231**	**398,861**	**434,092**
Others	**–**	**62,629**	**62,629**
Total revenue from contracts with customers	**570,232**	**1,859,958**	**2,430,190**

For the year ended 30 June 2019

Segments	**Retail**	**Manufacturing**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Timing of revenue recognition			
Goods transferred at a point in time	**570,232**	**1,859,958**	**2,430,190**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 30 June 2019

Segments	**Retail** *HK$'000*	**Manufacturing** *HK$'000*	**Total** *HK$'000*
Revenue from contracts with customers			
Sales to external customers	**570,232**	**1,859,958**	**2,430,190**
Intersegment sales	**–**	**207,494**	**207,494**
	570,232	**2,067,452**	**2,637,684**
Elimination of intersegment sales	**–**	**(207,494)**	**(207,494)**
Total revenue from contracts with customers	**570,232**	**1,859,958**	**2,430,190**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	
Sale of goods	**6,648**
Revenue recognised from performance obligations satisfied in previous periods	**–**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of handbags, small leather goods, etc.

The performance obligation is satisfied upon delivery of handbag, small leather goods, etc. and payment is generally due within 14 to 150 days from delivery, except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 are as follows:

	HK$'000
Within one year	**11,487**

The remaining performance obligation relating to the sale of goods is expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	Year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Fair value gain on investment properties	**40,260**	62,994
Net sample and material income	**8,343**	4,483
Exchange gain, net	**9,086**	–
Interest income	**7,224**	5,778
Investment income	**–**	2,801
Government grants	**3,906**	1,430
Royalty income	**2,003**	–
Others	**1,666**	619
	72,488	78,105

5. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**1,746,148**	1,668,577
Employee benefit expense (including Directors' and chief executive's remuneration)		
– Wages and salaries	**623,585**	612,805
– Equity-settled share option expense	**115**	761
– Equity-settled share award expense	**10,723**	–
– Pension scheme contributions	**24,172**	25,423
	658,595	638,989
Depreciation of items of property, plant and equipment	**47,565**	46,111
Amortization of prepaid land lease payments	**422**	425
Amortization of other intangible assets	**2,371**	387
Operating lease rentals	**79,735**	54,336
Fair value gain on investment properties	**(40,260)**	(62,994)
Fair value loss on investment property transferred from owner-occupied property	**3,000**	–
Impairment/(reversal of impairment) of trade receivables, net (included in other expenses/(other income and gains)) *(note 10)*	**2,513**	(44)
Impairment of other intangible assets	**3,316**	–
Write-down/(reversal of write-down) of inventories to net realizable value	**28,775**	(2,461)
Loss on disposal of items of property, plant and equipment	**2,604**	946
Auditor's remuneration	**2,450**	2,200
Exchange (gain)/loss, net	**(9,086)**	8,195

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 2019 (2018: 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 (2018: nil).

Italy, Korea, Taiwan and Japan income tax has not been provided for as the Group has no assessable profit arising in those jurisdictions during the year ended 30 June 2019.

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2019 (2018: 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	
	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**11,877**	20,134
Adjustments in respect of current income tax of previous years	**716**	77
Current – Mainland China		
Charge for the year	**34,120**	16,882
Adjustments in respect of current income tax of previous years	**(3,221)**	(2,154)
Deferred tax	**4,653**	(3,610)
Total tax charge for the year	**48,145**	31,329

7. DIVIDENDS

	Year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interim – 2019: HK6 cents per ordinary share (2018: HK6 cents per ordinary share)	**57,415**	60,092
Proposed final – 2019: HK2 cents per ordinary share (2018: HK6 cents per ordinary share) *(i)*	**19,138**	60,092
	76,553	120,184

Note:

(i) On 27 September 2019, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2019 of HK2 cents (2018: a final dividend of HK6 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2019 subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the years ended 30 June 2019 and 2018 attributable to ordinary equity holders of the Company excluding cash dividend attributable to the awarded shares expected to be vested in the future as of the end of the reporting period, and the weighted average number of ordinary shares of 967,816,250 (2018: 1,001,532,000) in issue excluding awarded shares during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 30 June 2019 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 30 June 2019, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 30 June 2019, 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 (2018: nil).

The calculations of basic and diluted earnings per share are based on:

	Year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**125,566**	256,675

	Year ended 30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**967,816,250**	1,001,532,000
Effect of dilution – weighted average number of ordinary share	**4,964,193**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**972,780,443**	1,001,532,000
Basic earnings per share (HK cents)	**12.97**	25.63
Diluted earnings per share (HK cents)	**12.91**	25.63

9. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019	As at 30 June 2018
	HK$'000	*HK$'000*
Debt investments at fair value through other comprehensive income	**13,996**	–

The above debt investments were irrevocably designated at fair value through other comprehensive income as the objective of the Group in holding these debt investments is to collect contractual cash flows and to sell the financial assets.

10. TRADE RECEIVABLES

	As at 30 June 2019	As at 30 June 2018
	HK$'000	*HK$'000*
Trade receivables	**488,212**	515,960
Impairment	**(2,513)**	(460)
	485,699	515,500

The Group grants different credit periods to customers. The Group generally requires its customers to make payments at various stages of a sale transaction. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Certain customers are required to make partial payments before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are unsecured and non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 30 June 2019 *HK$'000*	As at 30 June 2018 *HK$'000*
Within 90 days	**441,068**	495,231
91 to 180 days	**30,136**	10,643
Over 180 days	**14,495**	9,626
	485,699	515,500

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 30 June 2019 *HK$'000*	As at 30 June 2018 *HK$'000*
At beginning of year	**460**	504
Impairment losses/(reversal of impairment losses), net (included in other expenses/(other income and gains)) *(note 5)*	**2,513**	(44)
Amounts written off as uncollectible	**(460)**	–
At end of year	**2,513**	460

Impairment under IFRS 9 for the year ended 30 June 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Past due		
As at 30 June 2019	**Current** *HK$'000*	**1 month** *HK$'000*	**1 to 3 months** *HK$'000*	**Over 3 months** *HK$'000*	**Total** *HK$'000*
Expected credit loss rate	**0.16%**	**0.39%**	**4.44%**	**14.00%**	**0.51%**
Gross carrying amount (HK$'000)	**367,820**	**104,045**	**7,941**	**8,406**	**488,212**
Expected credit loss (HK$'000)	**580**	**405**	**352**	**1,176**	**2,513**

Impairment under IAS 39 for the year ended 30 June 2018

As at 30 June 2018, included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, was a provision for an individually impaired trade receivable of HK$460,000 with a carrying amount before provision of HK$460,000.

The individually impaired trade receivable as at 30 June 2018 related 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.

The aging analysis of the trade receivables as at 30 June 2018 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	As at 30 June 2018 *HK$'000*
Neither past due nor impaired	401,782
Past due but not impaired:	
Less than 90 days	104,159
91 to 180 days	8,819
Over 180 days	740
	515,500

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Based on past experience, the Directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

11. INTEREST-BEARING BANK BORROWINGS

	As at 30 June 2019			As at 30 June 2018		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Bank loans – secured	1.750%–2.525%	On demand	110,831	–	–	–
Bank loans – unsecured	0.250%–2.25%	On demand	55,458	–	–	–
			166,289			–

The bank borrowing agreements contain clauses which the banks have the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. The aggregate carrying amounts of long-term bank loans that contain a repayment on demand clause, which have been reclassified as current liabilities, are as follows:

	As at 30 June 2019 ***HK$'000***	As at 30 June 2018 *HK$'000*
Aggregate carrying amount	**56,631**	–

The Directors are of the opinion that the reclassification of the bank borrowings from non-current liabilities to current liabilities will not adversely affect the Group's financial and working capital position.

Without considering the bank's sole discretion to demand immediate repayment, the repayment schedule of the interest-bearing bank borrowings, based on the loan agreements, is as follows:

	As at 30 June 2019		As at 30 June 2018	
	Maturity	***HK$'000***	Maturity	*HK$'000*
Bank borrowings – secured	2019-2022	110,831	–	–
Bank borrowings – unsecured	2019-2020	55,458	–	–
		166,289		–
Analyzed into:				
Bank borrowings repayable:				
Within one year or on demand		109,658		–
In the second year		34,847		–
In the third to fifth years, inclusive		21,784		–
		166,289		–

12. 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 2019	As at 30 June 2018
	HK$'000	*HK$'000*
Within 90 days	**201,921**	197,150
91 to 180 days	**7,866**	8,563
181 to 365 days	**5,108**	7,421
Over 365 days	**6,911**	3,036
	221,806	216,170

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.

13. BUSINESS COMBINATION

On 22 November 2018, the Group acquired approximately 95.35% of the total issued shares of A. Testoni S.p.A., and the remaining 4.65% of the issued shares were owned by A. Testoni S.p.A. itself as permitted by the laws of Italy. Therefore, A. Testoni S.p.A. and its subsidiaries ("**A. Testoni Group**") are effectively wholly owned by the Group. A. Testoni Group is principally engaged in the manufacture and retail of leatherware, fashion garments and apparel. The acquisition was made as part of the Group's strategy to broaden its income base and strengthen the Group's retail brand portfolio. The consideration for the acquisition was in the form of cash, in an aggregate of EUR7,334,000 (approximately HK$65,163,000) which was paid on the acquisition date.

The Group has elected to measure the non-controlling interests in a subsidiary of A. Testoni S.p.A. at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets.

The fair values of the identifiable assets and liabilities of A. Testoni Group as at the date of acquisition were as follows:

	Fair value recognized on acquisition *HK$'000*
Property, plant and equipment	82,791
Other intangible assets	18,560
Deferred tax assets	16,553
Debt investments at fair value through other comprehensive income	12,102
Other non-current assets	12,723
Inventories	96,857
Trade receivables	16,793
Prepayments, deposits and other receivables	6,690
Cash and cash equivalents	12,457
Trade payables	(33,452)
Other payables and accruals	(81,254)
Interest-bearing bank borrowings	(88,007)
Deferred tax liabilities	(2,124)
Total identifiable net assets at fair value	70,689
Non-controlling interest	(7,872)
	62,817
Goodwill on acquisition	2,346
Satisfied by cash	65,163

The fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to HK$16,793,000 and HK$6,690,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$20,347,000 and HK$7,081,000, respectively, of which trade receivables of HK$3,554,000 and other receivables of HK$391,000 are expected to be uncollectible.

The Group incurred transaction costs of HK$7,170,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of A. Testoni Group is as follows:

	HK$'000
Cash consideration	(65,163)
Cash and bank balances acquired	12,457
Net outflow of cash and cash equivalents included in cash flows from investing activities	(52,706)
Transaction costs of the acquisition included in cash flows from operating activities	(7,170)
	(59,876)

Since the acquisition, A. Testoni Group contributed HK$114,173,000 to the Group's revenue and incurred a loss of HK$32,566,000 on the consolidated profit for the year ended 30 June 2019.

Had the combination taken place at the beginning of the reporting period, the revenue and the net profit of the Group for the year ended 30 June 2019 would have been approximately HK$2,534,468,000 and approximately HK$41,264,000, respectively.

14. EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period which could influence the economic decisions that users make on the basis of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail business

Revenue generated from this segment soared by approximately 80.7% year-on-year to approximately HK$570.2 million for the year ended 30 June 2019 ("**FY2019**") as a result of the acquisition of A. Testoni S.p.A. and it subsidiaries in November 2018. The profit before tax of the retail segment was approximately HK$7.9 million for FY2019, representing a drop of approximately 64.2% when compared to the previous year. The profit from licensed brands was diluted by the legal and professional fees incurred on a one-off basis for the acquisition (approximately HK$7.2 million). 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 the high demand for affordable quality handbags and leather goods in the Greater China market, the Group made inroads into retail business in 2011 with the introduction of TUSCAN'S 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 2019. 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.

During FY2019, the Group acquired A. Testoni S.p.A. and its subsidiaries, which owns the century-old Italian luxury leader label a.testoni and its diffusion line i29. The acquisition further enhanced the Group's retail network covering Hong Kong, mainland China, Taiwan, Southeast Asia, Japan and Europe. The other three brands, namely Kenneth Cole, Cole Haan and Jockey*, are exclusive licensed brands, each with its own brand history and characters targeting different customer groups. The licensed brands not only enlarged its stream of revenue for the Group's retail business but also expanded its product range from handbags to men's and women's footwear.

The Group also made good use of its product design and development resources. For example, we have set up design teams dedicated to supporting the development of handbags for Kenneth Cole, TUSCAN'S and Fashion & Joy and expanding the footwear offerings for Kenneth Cole respectively. The Group is pleased to see that the new product designs are improving and have quickly gained a good reputation. The Group's marketing campaigns have also successfully increased brand awareness and increased store traffic, which contributed to the growth in demand.

* *Mainland only*

As regards retail mode, the Group opened its first Fashion & Joy integrated flagship store in the second half of 2017, which continued to provide products with multiple brands, catering for the demand from the younger generation.

On the digital front, the Group continued to strengthen its e-commerce development with most of its brands already available on Tmall and JD.com or their own brand sites. 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 FY2019, the Group's purchase orders received from its external customers have slightly decreased by approximately 6.0% when compared to the previous year. The Group has maintained reasonable return with segment result of profit before tax to segment revenue ratio of approximately 7.1%. The segment profit before tax decreased mainly due to 1) intense competition among the Asian regions and 2) the increasing production and operating costs in the mainland China. The manufacturing business has generated segment revenue from external customers of approximately HK$1,860.0 million with segment result of profit before tax of approximately HK$132.4 million.

In response to the impact of the Sino-US trade dispute on exports to the North American market, the following strategies were adopted by the Group:

(1) Market Diversification: more than two years ago, we began to diversify our market reach. Currently, the proportion of revenue from North America decreased to 20.50% from 27.48% of the Group's total revenue in previous year, which was offset by the increase in the shares of the Asian market;

(2) Maintaining Our Core Competitiveness: with higher level of craftsmanship and reliable supply chain management, we provide top quality products and credibility to our customers.

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 high quality raw materials at competitive prices, upgrading production facilities, continuing to optimise and streamline production procedures to boost competitiveness 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 into 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, Kowloon, Hong Kong 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 ceased to be for own use and was transferred to investment properties for rental income and capital appreciation purpose in early 2017. During FY2019, the Group transferred its self-use property located at No. 1011, 10th Floor, Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, which was acquired through the acquisition of A. Testoni S.p.A. and its subsidiaries to investment property for rental income and 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$11.3 million with segment result of profit before tax of approximately HK$42.3 million during FY2019 as a result of net fair value gain on the investment properties of approximately HK$37.3 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 high 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 of the manufacturing business, 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 the 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 2019	Unused balance up to 30 June 2019	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	69.2	–	N/A
Expansion of retail business	251.4	35%	150.8	402.2	402.2	–	N/A
Working capital	71.8	10%	20	91.8	91.8	–	N/A
	718.2	100%	–	718.2	718.2	–	

As at 30 June 2019, the Group's net IPO proceeds had been fully utilised.

PROSPECT

Looking forward, the Group will continue to push forward the general approach of increasing the proportion of retail sales business. We will identify reliable distributors in more provinces and cities in mainland China, and offer cooperation opportunities to distributors with sound operation histories in selected cities by implementing a distribution system under a pragmatic and solid strategy, so as to increase sales channels and reputation of the brand in mainland 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.

Regarding the manufacturing business, as the US-China trade talks are expected to continue to disturb economics in Asia in the future, it will encounter a number of challenges. However, over the past two years, under the leadership of an experienced management team, the Group has been forward-looking in exploring markets outside North America to diversify risks. Meanwhile, the retail business is on the right track after years of cultivation, becoming a new growth driver for the Group. As one of the world's leading high-end and luxury brands and manufacturers and distributors 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 5.9% to approximately HK$2,441.4 million for FY2019 from approximately HK$2,305.8 million for the year ended 30 June 2018 ("**FY2018**"). This rise was primarily due to expansion of the retail business as well as the acquisition of the a.testoni brand.

Cost of sales

Cost of sales of the Group increased by approximately 4.6% to approximately HK$1,746.1 million for FY2019 from approximately HK$1,668.6 million for FY2018. 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 9.1% to approximately HK$695.3 million for FY2019 from approximately HK$637.2 million for FY2018. The gross profit margin increased to approximately 28.5% for FY2019 from approximately 27.6% for FY2018 as a result of increasing contribution from retail business.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 43.3% to approximately HK$282.2 million for FY2019 from approximately HK$196.9 million for FY2018. The increase was primarily attributable to the expansion of retail business.

Administrative expenses

Administrative expenses increased by approximately 35.8% to approximately HK$304.9 million for FY2019 from approximately HK$224.5 million for FY2018. The increase was primarily attributable to the hiring of more management staff to support the business expansion and manage the global retail business.

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 2019 and 2018 on the estimated assessable profits arising in or derived from Hong Kong during the relevant year.

Macau Complementary Income Tax has not been provided for as the Group had no assessable profit arising in Macau during FY2019 (2018: nil).

Italy, Korea, Taiwan and Japan Income Tax has not been provided for as the Group has no assessable profit arising in those jurisdictions during FY2019.

The PRC corporate income tax was based on a statutory rate of 25% (2018: 25%) of the assessable profit of all the subsidiaries incorporated in the PRC as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

The effective tax rate of the Group increased to approximately 29.9% for FY2019 (2018: 11.1%). The increase was due to the fully utilised tax losses of certain mainland China subsidiaries.

Profit for the Year

Profit for the year decreased by approximately HK$138.1 million to approximately HK$112.8 million for FY2019 from approximately HK$250.9 million for FY2018.

Investment properties

Details of investment properties of the Group with carrying amounts of approximately HK$733.1 million and HK$635.6 million as at 30 June 2019 and 30 June 2018 respectively are as follows:

As at 30 June 2019

Property	**Address**	**Use**	**Lease term**
Ground to 6th and 11th to 20th Floor, Sitoy Tower	Ground to 6th and 11th to 20th Floor, Sitoy Tower, No. 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 316)	Commercial (for rental income and capital appreciation purposes)	Medium term lease
4th to 5th Floor, The Genplas Building	4th to 5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 58)	Industrial (for rental income and capital appreciation purposes)	Medium term lease

No. 1011, 10th Floor, Tower 1, Silvercord	No. 1011, 10th Floor, Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (Kowloon Inland lot number 10456)	Commercial (for rental income and capital appreciation purposes)	Medium term lease

As at 30 June 2018

Property	**Address**	**Use**	**Lease term**
Ground to 6th and 11th to 20th Floor, Sitoy Tower	Ground to 6th and 11th to 20th Floor, Sitoy Tower, No. 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 316)	Commercial (for rental income and capital appreciation purposes)	Medium term lease
4th to 5th Floor, The Genplas Building	4th to 5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 58)	Industrial (for rental income and capital appreciation purposes)	Medium term lease

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", 7th to 10th Floor are for the Group's own use as the Group's headquarter, showrooms for merchandise display and market week, and classified as "Property, Plant and Equipment" instead of investment properties in the financial statements of the Group. The remaining floors of Property 1 are held for rental income and capital appreciation purposes.

During the year ended 30 June 2017, the Company's offices located at 4th to 5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the "**Property 2**") ceased for the Group's 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.

During FY2019, the Company's office located at No. 1011, 10th Floor, Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (the "**Property 3**") ceased for the Group's own use and thus were transferred to investment property. The Property 3 was acquired through the acquisition of A. Testoni S.p.A. and its subsidiaries during FY2019. The Property 3 has a total gross floor area of approximately 2,060 square feet and is held for rental income and capital appreciation purposes.

Capital expenditure

For FY2019, capital expenditure of the Group amounted to approximately HK$14.7 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 FY2019.

Discloseable Transaction in relation to the Acquisition of 95.35% Equity Interest in the Target Company

On 12 April 2018, the corporate and individual registered shareholders of 4,785,286 shares in A. Testoni S.p.A. (the "**Target Company**"), representing approximately 95.35% of the entire issued share capital thereof (the "**Sale Shares**"), namely (1) Quadrifoglio S.r.l., a company incorporated under the laws of Italy, holding 4,080,801 shares of the Target Company; (2) Mr. Enzo Fini, holding 233,261 shares of the Target Company; (3) Mrs. Laura Fini, holding 233,256 shares of the Target Company; (4) Mrs. Paola Fini, holding 233,256 shares of the Target Company; and (5) Mr. Bruno Fantechi and his wife Mrs. Sandra Tapinassi Fantechi, holding 4,712 shares of the Target Company (the "**Sellers**") and Oasis Giant Pte. Ltd. (a company wholly-owned by a director of a subsidiary of the Company) ("**Oasis Giant**") entered into a memorandum of understandings (as amended in writing on 4 July 2018) (the "**MOU**"). Pursuant to the MOU, subject to the terms and conditions thereunder and a formal sale and purchase agreement, the Sellers agreed to sell, and Oasis Giant agreed to purchase the Sale Shares at the consideration of Euro 9,535,210 (equivalent to approximately HK$86,975,418).

On 7 September 2018, Sitoy International Limited (a wholly-owned subsidiary of the Company) ("**Sitoy International**"), the Sellers and Oasis Giant entered into an assignment (the "**Assignment**"), pursuant to which Oasis Giant assigned, transferred and set over to Sitoy International, and Sitoy International assumed, all of Oasis Giant's right, title, interest, powers, privileges, remedies, duties, liabilities and obligations under the MOU, effective as of the date of the Assignment, for nil consideration.

On 20 November 2018, Sitoy AT Holdings Company Limited (a wholly-owned subsidiary of the Company nominated by Sitoy International to be the buyer (the "**Buyer**")) and the Sellers entered into a sale and purchase agreement (the "**SPA**"). Subject to the terms and conditions of the SPA, (i) the Sellers has agreed to sell and the Buyer has agreed to purchase the Sale Shares at the initial consideration of Euro 9,535,210 (equivalent to approximately HK$85,515,577), while the final consideration of Euro 7,334,000 (approximately HK$65,163,000) was paid on the acquisition date; and (ii) Mr. Enzo Fini has agreed to assign and the Buyer has agreed to take an assignment of the amount owing to Mr. Enzo Fini by the Target Company as at the completion date of the Acquisition (defined as below), which will be no more than Euro 5,000,000 at the initial total consideration of Euro 5,000,000 (equivalent to approximately HK$44,842,000), while the final consideration of Euro 5,000,000 (approximately HK$44,426,000) was paid on the acquisition date (the "**Acquisition**").

As one or more of the applicable percentage ratios in respect of the Acquisition is 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Details of the Acquisition have been set out in the announcements of the Company dated 7 September 2018 and 20 November 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during FY2019.

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 2019 amounted to approximately HK$406.8 million (2018: HK$447.6 million), which are mainly denominated in Hong Kong dollars, Renminbi, Euro 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's gearing ratio is approximately 6.2% as at 30 June 2019, which is net debt divided by total capital plus net debt. The Group's net debt consists of interest-bearing bank borrowings, trade and other payables and accruals, less cash and cash equivalents. The Group had no outstanding interest-bearing bank borrowings as at 30 June 2018 and hence no gearing ratio was presented.

Foreign exchange risk

The Group has had transactional currency exposures for FY2019. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During FY2019, 75.4% (2018: 85.1%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 69.5% (2018: 65.4%) of the costs were denominated in the units' functional currency.

As at 30 June 2019 and 2018, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2019, approximately HK$23.5 million of time deposits were pledged as security for banking facilities available to the Group (2018: HK$23.7 million).

Inventory turnover days

Inventory turnover days increased to 81 days for FY2019 from 65 days for FY2018. The increase in inventory turnover days was due to the increase in average inventory level.

Trade receivables turnover days

Trade receivables turnover days increased to 75 days for FY2019 from 66 days for FY2018. 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 63 days for FY2019 from 58 days for FY2018. 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 2019, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2019, the Group had about 7,900 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 its 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 and a share award scheme approved on 12 July 2018 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 18 April 2019. The Directors recommended the payment of a final dividend of HK2 cents per share for FY2019 (2018: HK6 cents per share) to the shareholders whose names appear on the register of members of the Company on Wednesday, 20 November 2019. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on Monday, 11 November 2019 (the "**2019 AGM**"), will be paid on or before Friday, 13 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 19 November 2019 and Wednesday, 20 November 2019, 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, 18 November 2019.

The register of members of the Company will be closed from Monday, 4 November 2019 to Monday, 11 November 2019 (both days inclusive), during which period no share transfer will be registered. The record date for determining shareholders of the Company entitled to attend the 2019 AGM will be Monday, 11 November 2019. In order to be eligible to attend and vote at the 2019 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, 1 November 2019.

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 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 FY2019.

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 FY2019.

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 Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules for FY 2019, save that since all the executive Directors were involved in the daily operation of the Group and were well aware of the performance, position and prospects of the Group, and the executive Directors have provided timely and adequate information to all independent non-executive Directors upon requests, instead of providing monthly updates to all members of the Board as required by code provision C.1.2, all Directors (including independent non-executive Directors) were provided by the management with quarterly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details prior to the regular board meetings of the Company or upon request.

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 FY2019.

AUDITORS

The Group's consolidated financial statements for FY2019 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

During FY2019, 36,102,000 ordinary shares were repurchased on the Stock Exchange and these shares were subsequently cancelled by the Company. The summary details of the repurchases are as follows:

Month	**Number of ordinary shares repurchased**	**Price per share**		**Total price paid**
		Highest	**Lowest**	
		(HK$)	*(HK$)*	*(HK$)*
October 2018	31,246,000	2.62	2.23	77,406,790
November 2018	4,856,000	2.59	2.40	12,271,240
Total	36,102,000			89,678,030

The total amount of HK$89,678,030 of the repurchase was paid wholly out of retained profits and 36,102,000 repurchased ordinary shares of the Company were cancelled during FY2019. The above repurchases during FY2019 were effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting the shareholders as a whole by enhancing the net assets value per share and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during FY2019.

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 FY2019 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, 27 September 2019

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 Dr. 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.