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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Financial highlights for the six months ended 31 December 2019

Revenue decreased by approximately 10.5% over the same period in 2018 to approximately HK$1,148.9 million.

Gross profit decreased by approximately 6.8% over the same period in 2018 to approximately HK$335.0 million.

Profit for the period decreased by approximately 61.3% over the same period in 2018 to approximately HK$42.2 million.

Basic earnings per share attributable to the owners of the Company for the period decreased by approximately 59.2% over the same period in 2018 to approximately HK4.79 cents.

Proposed interim dividend per ordinary share was HK2 cents for the six months ended 31 December 2019.

The board (the "Board") of directors (the "Directors") of Sitoy Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 December 2019 (the "Period").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2019

		For the six months ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**1,148,921**	1,283,282
Cost of sales		**(813,917)**	(923,847)
Gross profit		**335,004**	359,435
Other income and gains	*4*	**24,054**	45,645
Selling and distribution expenses		**(127,288)**	(109,045)
Administrative expenses		**(154,944)**	(150,150)
Impairment losses on financial assets		**(626)**	(174)
Other expenses		**(4,841)**	(905)
Financial costs		**(5,499)**	(1,186)
PROFIT BEFORE TAX	*5*	**65,860**	143,620
Income tax expense	*6*	**(23,666)**	(34,652)
PROFIT FOR THE PERIOD		**42,194**	108,968
Attributable to:			
Owners of the Company		**45,984**	114,819
Non-controlling interests		**(3,790)**	(5,851)
		42,194	108,968
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic			
– For profit for the period (HK cents)	*8*	**4.79**	11.73
Diluted			
– For profit for the period (HK cents)	*8*	**4.78**	11.70

Details of the dividends for the reporting period are disclosed in note 7 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**42,194**	108,968
OTHER COMPREHENSIVE EXPENSE		
Exchange differences on translation of foreign operations	**(23,293)**	(35,537)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	**(23,293)**	(35,537)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**18,901**	73,431
Attributable to:		
Owners of the Company	**22,691**	79,282
Non-controlling interests	**(3,790)**	(5,851)
	18,901	73,431

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December 2019 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**390,169**	409,471
Investment properties		**733,095**	733,095
Prepaid land lease payments	*9(a)*	**–**	15,914
Right-of-use assets	*9(b)*	**154,962**	–
Intangible assets		**17,753**	20,434
Deferred tax assets		**33,639**	33,213
Goodwill		**2,346**	2,346
Debt investments at fair value through other comprehensive income		**13,558**	13,996
Other non-current assets		**7,343**	7,489
Total non-current assets		**1,352,865**	1,235,958
CURRENT ASSETS			
Inventories		**396,346**	393,779
Trade receivables	*10*	**401,658**	485,699
Prepayments, other receivables and other assets		**79,203**	86,365
Pledged deposits		**23,478**	23,484
Cash and cash equivalents		**504,203**	406,779
Total current assets		**1,404,888**	1,396,106
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*11*	**168,836**	166,289
Trade payables	*12*	**194,641**	221,806
Other payables and accruals		**157,766**	155,928
Lease liabilities	*9(c)*	**47,586**	–
Tax payable		**29,021**	22,858
Total current liabilities		**597,850**	566,881
NET CURRENT ASSETS		**807,038**	829,225

	Note	As at 31 December 2019 HK$'000 (Unaudited)	As at 30 June 2019 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,159,903**	2,065,183
NON-CURRENT LIABILITIES			
Lease liabilities	*9(c)*	**92,766**	–
Deferred tax liabilities		**1,751**	1,830
Deferred income		**3,019**	3,262
Total non-current liabilities		**97,536**	5,092
Net assets		**2,062,367**	2,060,091
EQUITY			
Share capital		**96,543**	96,543
Treasury shares		**(13,385)**	(19,910)
Reserves		**1,988,207**	1,988,666
Equity attributable to owners of the Company		**2,071,365**	2,065,299
Non-controlling interests		**(8,998)**	(5,208)
Total equity		**2,062,367**	2,060,091

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Sitoy Group Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 21 February 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. In the opinion of the Directors, the controlling shareholders of the Company are Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the design, research, development manufacturing, sale, retailing and wholesale of handbags, small leather goods, travel goods, footwear and fashion 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 "Stock Exchange") on 6 December 2011.

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2019.

2.2 Significant Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 30 June 2019, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") as noted below.

The Group has adopted the following new and revised IFRSs for the first time for the current period's interim condensed consolidated financial statements:

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to *IFRSs 2015-2017 Cycle*	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 July 2019, and the comparative information for the year ended 30 June 2019 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plants, retail office and stores. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 July 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 July 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 July 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 July 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	133,813
Decrease in prepaid land lease payments	(15,914)
Decrease in prepayments, other receivables and other assets	(310)
Increase in total assets	117,589
Liabilities	
Increase in lease liabilities	117,589

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 are as follows:

	HK$'000
Operating lease commitments as at 30 June 2019	137,603
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 30 June 2020	(16,143)
	121,460
Weighted average incremental borrowing rate as at 1 July 2019	2.5%
Discounted operating lease commitments as at 1 July 2019	117,589
Lease liabilities as at 1 July 2019	117,589

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, footwear and fashion 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 space for its rental income or capital appreciation purpose.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except corporate and unallocated expenses are excluded from this measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six months ended 31 December 2019 (unaudited)

	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**305,798**	**835,160**	**7,963**	**1,148,921**
Intersegment sales	**–**	**113,110**	**1,536**	**114,646**
	305,798	**948,270**	**9,499**	**1,263,567**
Reconciliation:				
Elimination of intersegment sales	**–**	**(113,110)**	**(1,536)**	**(114,646)**
Total revenue				**1,148,921**
Segment results	**(14,651)**	**83,603**	**4,544**	**73,496**
Reconciliation:				
Corporate and other unallocated expenses, net				**(7,636)**
Profit before tax				**65,860**
Other segment information:				
Depreciation of items of property, plant and equipment	**4,195**	**15,990**	**–**	**20,185**
Unallocated depreciation of items of property, plant and equipment				**1,275**
				21,460
Amortization of right-of-use assets	**21,833**	**2,022**	**–**	**23,855**
Amortization of intangible assets	**950**	**–**	**–**	**950**
Write-down of inventories to net realizable value	**30,567**	**2,415**	**–**	**32,982**
Capital expenditure*	**9,567**	**4,407**	**–**	**13,974**

For the six months ended 31 December 2018 (unaudited)

	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	224,212	1,053,116	5,954	1,283,282
Intersegment sales	–	92,029	1,536	93,565
	224,212	1,145,145	7,490	1,376,847
Reconciliation:				
Elimination of intersegment sales	–	(92,029)	(1,536)	(93,565)
Total revenue				1,283,282
Segment results	13,327	114,395	27,976	155,698
Reconciliation:				
Corporate and other unallocated expenses, net				(12,078)
Profit before tax				143,620
Other segment information:				
Depreciation of items of property, plant and equipment	3,690	17,497	–	21,187
Unallocated depreciation of items of property, plant and equipment				1,274
				22,461
Amortization of prepaid land lease payments	–	211	–	211
Amortization of intangible assets	374	–	–	374
Write-down of inventories to net realizable value	3,499	1,816	–	5,315
Operating lease rentals	24,136	2,423	–	26,559
Capital expenditure*	5,639	4,564	340	10,543

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

The following table compares the total segment assets and liabilities as at 31 December 2019 and as at the date of the last annual financial statements (30 June 2019).

As at 31 December 2019 (unaudited)

	Retail *HK$'000*	**Manufacturing** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Segment assets	**516,061**	**2,213,115**	**766,145**	**3,495,321**
Reconciliation:				
Elimination of intersegment receivables				**(888,131)**
Corporate and other unallocated assets				**150,563**
Total assets				**2,757,753**
Segment liabilities	**665,688**	**350,882**	**566,879**	**1,583,449**
Reconciliation:				
Elimination of intersegment payables				**(888,131)**
Corporate and other unallocated liabilities				**68**
Total liabilities				**695,386**

As at 30 June 2019 (audited)

	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
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

Geographical information

(a) Revenue from external customers

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
North America	**212,882**	324,147
Europe	**231,874**	288,533
Mainland China, Hong Kong, Macau and Taiwan	**464,049**	433,237
Other Asian countries	**214,065**	207,760
Others	**26,051**	29,605
	1,148,921	1,283,282

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

(b) Non-current assets

	As at 31 December	As at 30 June
	2019	*2019*
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China, Hong Kong, Macau and Taiwan	**1,189,979**	1,169,172
Europe	**118,222**	21,701
Other Asian countries	**11,025**	11,872
	1,319,226	1,202,745

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

4. Revenue, Other Income and Gains

Information about major customers

For the six months ended 31 December 2019, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$209,596,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the six months ended 31 December 2018, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$190,550,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

An analysis of revenue is as follows:

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**1,140,958**	1,277,328
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**7,963**	5,954
	1,148,921	1,283,282

Revenue from contracts with customers

(i) *Disaggregated revenue information*

The segment information for revenue from contracts with customers represented the revenue from retail and manufacturing business, which was disclosed in note 3 above.

(ii) *Performance obligations*

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

Retail
The performance obligation is satisfied upon delivery of the goods.

Manufacturing
The performance obligation is satisfied upon delivery of the goods and payment is generally due within 14 to 105 days from delivery, except for new customers, where payment in advance is normally required.

Other income and gains

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Fair value gain on investment properties	**–**	25,660
Net sample and material income, net	**2,321**	3,647
Interest income	**4,895**	3,439
Exchange gain, net	**10,465**	11,227
Government grants	**2,154**	323
Royalty income	**2,924**	–
Others	**1,295**	1,349
	24,054	45,645

5. Profit Before Tax

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

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**813,917**	923,847
Employee benefit expense including Directors' remuneration		
– Wages and salaries	**313,452**	325,263
– Pension scheme contributions	**13,934**	9,057
– Equity-settled share award expense	**2,569**	5,361
– Equity-settled share option expense	**–**	115
	329,955	339,796

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment	**21,460**	22,461
Depreciation of right-of-use assets (for the six months ended 31 December 2018: amortisation of land lease payments)	**23,855**	211
Amortization of intangible assets	**950**	374
Minimum lease payments under operating leases	**–**	26,559
Lease payments not included in the measurement of lease liabilities	**33,086**	–
Write-down of inventories to net realizable value	**32,982**	5,315
Auditors' remuneration	**950**	950
Exchange gain, net	**(10,465)**	(11,227)

6. Income Tax Expense

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit arising in Macau during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2018: 25%) of the assessable profit of the subsidiaries in Mainland China as determined in accordance with the PRC Corporate Income Tax Law for the six months ended 31 December 2019.

Italy, Taiwan and Japan Income Tax has been provided at the rate of 31.4%, 15% and 43% (six months ended 31 December 2018: nil) of the assessable profits arising in related region during the six months ended 31 December 2019. Korea and USA Income Tax has not been provided for as the Group has no assessable profit arising in related region during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

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

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**3,294**	5,554
Current – Mainland China		
Charge for the period	**20,510**	21,802
Current – Elsewhere		
Charge for the period	**845**	–
Deferred tax	**(983)**	7,296
Total tax charged for the period	**23,666**	34,652

7. Dividends

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for the year ended 30 June 2019: HK2 cents per ordinary share (year ended 30 June 2018: HK6 cents)	**19,194**	57,415
Dividends on ordinary shares declared (not recognized as a liability as at 31 December):		
Interim dividend – HK2 cents per ordinary share (six months ended 31 December 2018: HK6 cents)	**19,309**	57,926

On 24 February 2020, the Board of Directors of the Company resolved to propose an interim dividend for the six months ended 31 December 2019 of HK2 cents (six months ended 31 December 2018: HK6 cents) per ordinary share out of the consolidated retained profits of the Group as at 31 December 2019.

8. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2019 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 ending of the reporting period and the weighted average number of ordinary shares of 959,519,913 (six months ended 31 December 2018: 978,603,306) in issue excluding awarded shares during the six months ended 31 December 2019.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 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 (six months ended 31 December 2018: nil).

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

	For the six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	**45,984**	114,819

	For the six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**959,519,913**	978,603,306
Effect of dilution – weighted average number of ordinary shares:	**1,968,704**	2,970,744
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**961,488,617**	981,574,050
Basic earnings per share (HK cents)	**4.79**	11.73
Diluted earnings per share (HK cents)	**4.78**	11.70

9. Leases

The Group as lessee

The Group has lease contracts for various items of plants, office and retail stores used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plants generally have lease terms of 5 years, while retail offices and stores generally have lease terms between 1 to 6 years. Other equipment generally has lease terms of 12 months or less and is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 July 2019)

	HK$'000
Carrying amount at 1 July 2018	17,035
Recognised in profit or loss during the year	(422)
Exchange realignment	(699)
Carrying amount at 30 June 2019	15,914

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Prepaid land lease payments *HK$'000*	**Plants** *HK$'000*	**Retailing stores** *HK$'000*	**Total** *HK$'000*
As at 1 July 2019	15,914	13,651	104,248	133,813
Additions	–	–	46,365	46,365
Depreciation charge	(204)	(1,818)	(21,833)	(23,855)
Exchange realignment	(286)	(228)	(847)	(1,361)
As at 31 December 2019	15,424	11,605	127,933	154,962

(c) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the period are as follows:

	2019 **Lease liabilities** ***HK$'000***
Carrying amount at 1 July 2019	**117,589**
New leases	**46,675**
Accretion of interest recognised during the period	**1,960**
Payments	**(24,794)**
Exchange realignment	**(1,077)**
Carrying amount at 31 December 2019	**140,353**
Analysed into:	
Current portion	**47,587**
Non-current portion	**92,766**

(d) *The amounts recognised in profit or loss in relation to leases are as follows:*

	For the six months ended 31 December 2019 ***HK$'000***
Interest on lease liabilities	**1,960**
Depreciation charge of right-of-use assets	**23,855**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**15,145**
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**856**
Total amount recognised in profit or loss	**41,816**

(e) Variable lease payments

The Group leased a number of the retail stores and units in a shopping mall which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping mall. The amounts of the variable lease payments recognised in profit or loss for the current year for these leases are HK$856,000.

The Group as lessor

The Group leases its investment properties consisting of three commercial properties under operating lease arrangement. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group for the six months ended 31 December 2019 was HK$7,963,000 (For the six months ended 31 December 2018: HK$5,954,000), details of which are included in note 3 to the financial statements.

At 30 June 2019, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 1 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Within one year	**15,983**	11,531
After one year but within two years	**12,993**	15,271
After two years but within three years	**3,622**	12,756
	32,598	39,558

10. Trade Receivables

	As at 31 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Trade receivables	**404,797**	488,212
Impairment	**(3,139)**	(2,513)
	401,658	485,699

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. Each customer has a maximum credit limit. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

An ageing 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 31 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Within 90 days	**336,018**	441,068
91 to 180 days	**39,712**	30,136
Over 180 days	**25,928**	14,495
	401,658	485,699

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

	Six months ended 31 December 2019 *HK$'000* **(Unaudited)**	Year ended 30 June 2019 *HK$'000* (Audited)
At beginning of year	**2,513**	460
Impairment losses, net	**626**	2,513
Amounts written off as uncollectible	**–**	(460)
At the end of period/year	**3,139**	2,513

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:

As at 31 December 2019 (Unaudited)			**Past due**		
	Current *HK$'000*	**1 month** *HK$'000*	**1 to 3 months** *HK$'000*	**Over 3 months** *HK$'000*	**Total** *HK$'000*
Expected credit loss rate	0.22%	0.58%	6.59%	20.00%	0.78%
Gross carrying amount (HK$'000)	291,958	97,294	8,792	6,753	404,797
Expected credit loss (HK$'000)	650	560	579	1,350	3,139

As at 30 June 2019 (Audited)			Past due		
	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

11. Interest-Bearing Bank Borrowings

	As at 31 December 2019 (Unaudited)			As at 30 June 2019 (Audited)		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	HK$'000
Current						
Lease liabilities *(notes 9(c))*	**2.2%-4.35%**	**2020**	**47,586**			–
Bank loans – secured	**0.94%-2.525%**	**On demand**	**143,555**	1.750%-2.525%	On demand	110,831
Bank loans – unsecured	**1.878%-2.25%**	**On demand**	**25,281**	0.250%-2.25%	On demand	55,458
			216,422			166,289
Non-current						
Lease liabilities *(notes 9(c))*	**2.2%-4.35%**	**2021-2022**	**92,766**			–

The bank loans 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 31 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Aggregate carrying amount	**38,052**	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 31 December 2019 (Unaudited)		As at 30 June 2019 (Audited)	
	Maturity	***HK$'000***	Maturity	*HK$'000*
Bank loans – secured	**2020-2022**	**143,555**	2019-2022	110,831
Bank loans – unsecured	**2020**	**25,281**	2019-2020	55,458
		168,836		166,289
Analyzed into:				
Bank loans repayable:				
Within one year or on demand		**130,784**		109,658
In the second year		**32,866**		34,847
In the third year		**5,186**		21,784
		168,836		166,289
Lease liabilities repayable:				
Within one year or on demand		**47,586**		–
In the second year		**91,166**		–
In the third year		**1,600**		–
		140,352		–

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 31 December 2019 ***HK$'000*** **(Unaudited)**	As at 30 June 2019 *HK$'000* (Audited)
Within 90 days	**190,057**	201,921
91 to 180 days	**2,040**	7,866
181 to 365 days	**1,367**	5,108
Over 365 days	**1,177**	6,911
	194,641	221,806

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. Events After the Reporting Period

Effect assessment of the Novel Coronavirus disease outbreak

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole country. The epidemic will impact business operations of certain industries as well as the overall economy. Therefore, the Company's operations and revenue may be affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Company will closely monitor the situation, and assess its impacts on our financial position and operating results. As of the date of this report, such assessment is still ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail business

Revenue generated from this segment increased by approximately 36.4% period-to-period to approximately HK$305.8 million for the six months ended 31 December 2019. The loss before tax of the retail segment was approximately HK$14.7 million for the six months ended 31 December 2019 when compared to the same period in the previous year of segment profit before tax of approximately HK$13.3 million. It is mainly due to 1) weaker consumer sentiment caused by continuous social incidents in Hong Kong, and thus additional discounts offered by the Group to increase sales and lower the inventories and 2) costs for more management staff recruited to expand and manage the global retail business of the Group.

The Group manages a retail business platform with quality handbags and leather goods as its core products. As at 31 December 2019, there were six brands under its belt. Among these brands, 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. a.testoni and its diffusion line i29 are leading luxury labels the Group acquired in 2018. Kenneth Cole and Cole Haan are licensed to the Group to operate exclusively in Hong Kong and China.

The design teams dedicated to supporting the development of TUSCAN'S and Fashion & Joy handbags and Kenneth Cole footwear offerings continued to deliver designs that had earned recognition among the target customer groups. These, coupled with the Group's marketing campaigns, reinforced brand awareness which contributed to stable brand development.

After the acquisition of a.testoni and i29, the Group has extended its retail presence from Hong Kong and China to other Asian countries including Japan, Korea and Taiwan, together with some physical stores in Italy, where the brand was originated.

On the digital front, the Group expanded offerings and product ranges available online via Tmall, JD.com, VIP.com and xiaohongsu.com or the brands' own websites. The Group endeavors to further enrich the product offerings available via a greater variety of online platforms to extend our reach to target customers.

Manufacturing business

During the Period, the Group's purchase orders received from its external customers have decreased by approximately 20.7% when compared with the corresponding period last year. The Group has maintained reasonable return with segment result of profit before tax to segment revenue ratio of approximately 10.0%. 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 mainland China. The manufacturing business has generated segment revenue from external customers of approximately HK$835.2 million with segment result of profit before tax of approximately HK$83.6 million.

The lingering trade tension between China and the United States of America during the Period prompted the Group to continue to adopt strategies including:

(1) Market Diversification: Since we first began efforts in diversifying our market reach more than two years ago, we had lowered the proportion of the Group's revenue from North America to 18.5% as compared to 25.3% in the last corresponding period. The decline was offset by the higher contributions from 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

During the Period, the Group had three properties held for investment purposes to generate rental income: ground and sixteen floors of Sitoy Tower on Wai Yip Street, Kwun Tong; two floors of The Genplas Building on Hoi Yuen Road, Kwun Tong; a unit in Silvercord on Canton Road, Tsim Sha Tsui. The property investment segment has been generating stable returns for the Group. The property investment business has generated revenue of approximately HK$8.0 million with segment result of profit before tax of approximately HK$4.5 million during the Period as no fair value gain on the investment properties was recorded.

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. We will also strengthen our Original Design Manufacturing offerings to combine our well-proven craftmanship and services with cutting-edge handbag and footwear designs in order to attract more brand customers.

PROSPECT

Retail business

The acquisition of A. Testoni S.p.A. and its subsidiaries presented a success in the Group's strategy in expanding its presence in the tier-one world designer market segment that has taken the Group's retail business operation to the next level. The Group will continue to consolidate this success and enhance products and operations of a. testoni, albeit at a slower pace in response to the current difficult environment. We will also seek to optimize our store locations in shopping malls of higher traffic flow, negotiate better terms with landlords for all our brands, and close stores with low productivity. In light of the headwind of the retail business environment caused by the coronavirus epidemic in China, Hong Kong and other parts of the world, we will remain cautious and agile in business operation and preserve liquidity for the situation to stabilise.

The development of the e-commerce business is running to take online orders from customers. The Group will further strengthen online sales and facilitate the development of a new retail model with integrated online to offline (O2O) sales, with a view to capturing the upcoming trend of the market development by presenting and delivering its products to its customers through different platforms.

As a brand operator, the Group will continue to invest in the enhancement of product design and development. The Group will also continue to launch different marketing activities to raise brand awareness and increase sales.

The Group has high confidence in taking management of its global business to the next level as capable international executives have been hired and will soon be on board.

Manufacturing business

The slow down in global economy and the outbreak of novel coronavirus in China have created more uncertainties and volatility, and keener competition is expected in the manufacturing industry. Therefore, the remaining six months of this fiscal year will be full of challenges. The Group will continue to strengthen its ability to meet customers' diversified requirements, leveraging our extensive experience and outstanding craftsmanship in the manufacturing, design, research and development of handbags, leather goods and business and travel goods.

The Group has successfully diversified customer mix and product mix – a trend which is expected to continue in the coming six months. Certain European and Asian countries and areas, including Hong Kong and China, are expected to be the major markets of the Group, which is consistent with the Group's strategies to mitigate the concentration risk and reduce the reliance on the North American market.

The Group has fostered relationships with new customers from England, Germany, Netherlands, and Spain. We are also intensifying efforts in prospecting opportunities from more potential customers in the Greater China region.

On the cost front the Group will invest in automated productions to reduce our reliance on manual labour, while making inroads into streamlining our manufacturing procedures further to make room for more effective control.

Property investment business

The properties held by the Group are expected to continue to generate stable rental income for the Group in the coming six months.

FINANCIAL REVIEW

Revenue

The revenue decreased by approximately 10.5% to approximately HK$1,148.9 million for the six months ended 31 December 2019 from approximately HK$1,283.3 million for the six months ended 31 December 2018. This decrease was primarily due to the decrease in demand from the brand customers in the manufacturing business.

Cost of sales

Cost of sales of the Group decreased by approximately 11.9% to approximately HK$813.9 million for the six months ended 31 December 2019 from approximately HK$923.8 million for the six months ended 31 December 2018. The decrease in cost of sales was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately 6.8% to approximately HK$335.0 million for the six months ended 31 December 2019 from approximately HK$359.4 million for the six months ended 31 December 2018. Gross profit margin slightly increased to approximately 29.2% for the six months ended 31 December 2019 when compared with approximately 28.0% for the six months ended 31 December 2018 because of increasing contributions from retail business which earned higher gross profit ratio than manufacturing business.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 16.7% to approximately HK$127.3 million for the six months ended 31 December 2019 from approximately HK$109.0 million for the six months ended 31 December 2018. The increase was primarily attributable to the expansion of the retail business.

Administrative expenses

Administrative expenses increased slightly by approximately 3.2% to approximately HK$154.9 million for the six months ended 31 December 2019 from approximately HK$150.2 million for the six months ended 31 December 2018.

Income tax expense

Under the current laws of the Cayman Islands and the British Virgin Islands (the "BVI"), 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 BVI.

Hong Kong Profits Tax as applicable to the Group was 16.5% for the six months ended 31 December 2019 and 2018 on the assessable profits arising in Hong Kong during the relevant periods.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit arising in Macau during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

Italy, Taiwan and Japan Income Tax has been provided at the rate of 31.4%, 15% and 43% (six months ended 31 December 2018: nil) of the assessable profits arising in related region during the six months ended 31 December 2019. Korea and USA Income Tax has not been provided for as the Group has no assessable profit arising in related region during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

The PRC Corporate Income Tax was based on a statutory rate of 25% of the assessable profit of all the subsidiaries incorporated in the PRC as determined in accordance with the PRC Corporate Income Tax Law.

The effective tax rate of the Group was 35.9% for the six months ended 31 December 2019 (six months ended 31 December 2018: 24.1%). The increase was due to the fully utilised tax losses of certain mainland China subsidiaries and no fair value gain on investment properties during six months ended 31 December 2019.

Profit for the Period

Profit for the Period decreased by approximately HK$66.8 million to approximately HK$42.2 million for the six months ended 31 December 2019 from approximately HK$109.0 million for the six months ended 31 December 2018. As a percentage of revenue, profit margin ratio achieved approximately 3.7% for the six months ended 31 December 2019 (six months ended 31 December 2018: 8.5%). The decrease was mainly due to 1) no fair value gain on investment properties during six months ended 31 December 2019; 2) decrease in manufacturing business and 3) increase in selling and distribution expenses to expand the retail business.

Investment properties

Details of investment properties of the Group with carrying amounts of approximately HK$733.1 million as at 31 December 2019 and 30 June 2019 are as follows:

As at 31 December 2019 and 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

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. As at 31 December 2019, the fair value of the remaining floors of Property 1 was approximately HK$625.1 million, which represented approximately 22.7% of the Group's total assets. During the six months ended 31 December 2019, the remaining floors of Property 1 had generated total rental income of approximately HK$6.6 million. No fair value change recognized during the six months ended 31 December 2019.

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 the year ended 30 June 2019, 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 the year ended 30 June 2019. 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 the six months ended 31 December 2019, the capital expenditure of the Group amounted to approximately HK$14.0 million, primarily related to the expansion of retail business and upgrade of manufacturing facilities.

Significant investments

Save as disclosed in section headed "Investment properties" above, the Group had no significant investments held during the Period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period.

Treasury policy

The Group adopts a 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 are 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 Group continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 31 December 2019 amounted to approximately HK$504.2 million (30 June 2019: approximately HK$406.8 million) which are mainly denominated in Hong Kong dollars, Renminbi, Euro and United States dollars. The gearing ratio of the Group as at 31 December 2019 was approximately 7.1% (30 June 2019: 6.2%).

Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2019, 71.1% (30 June 2019: 75.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the transaction, whilst approximately 74.0% (30 June 2019: 69.5%) of costs were denominated in the units' functional currency. As at 31 December 2019, the Group had no foreign exchange forward contracts and other financial derivatives outstanding (30 June 2019: nil).

Pledge of Assets

As at 31 December 2019, approximately HK$23.5 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2019: approximately HK$23.5 million).

As at 31 December 2019, secured bank borrowings was approximately HK$143.6 million (30 June 2019: HK$110.8 million).

Inventory turnover days

Inventory turnover days increased to 97 days for the six months ended 31 December 2019 from 81 days for the year ended 30 June 2019. The increase in inventory turnover days was mainly due to the increase in sales contributions from retail business which resulted in higher turnover days.

Trade receivables turnover days

Trade receivables turnover days decreased to 71 days for the six months ended 31 December 2019 compared with 75 days for the year ended 30 June 2019. The decrease in trade receivables turnover days was mainly due to the decrease in average trade receivables as a result of decrease in manufacturing business. The Group did not experience any significant credit risk due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days decreased to 62 days for the six months ended 31 December 2019 compared with 63 days for the year ended 30 June 2019.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 31 December 2019, the Group did not have any material off-balance sheet commitments and arrangements. The Group did not have any contingent liabilities as at 31 December 2019.

EMPLOYEES

As at 31 December 2019, the Group had about 7,800 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the Group are subject to social insurance, provident housing fund and certain other employee benefits in accordance with the PRC laws and regulations and adhere to both statutory employment standards and those requested by customers, such as minimum wage levels and maximum working hours. Moreover, the Group provides staff quarters for most employees and, in case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteen, sports site, library and internet centre for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the remuneration packages and fringe benefits offered by the Group to its staff members are competitive in comparison with market standards and practices. Since human resource management is an important factor in maintaining and further enhancing the Group's strong expertise and know-how in the craftsmanship of handbags, small leather goods and travel goods, the in-house employee training centre 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 recognising employees' contribution.

DIVIDEND, RECORD AND PAYMENT DATES

The Directors have declared an interim dividend of HK2 cents (six months ended 31 December 2018: HK6 cents) per share to the shareholders for the six months ended 31 December 2019 in recognition of their continuous support. The interim dividend will be paid to shareholders whose names appear on the register of members of the Company on Thursday, 2 April 2020. It is expected that the interim dividend will be paid on or before Thursday, 23 April 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 1 April 2020 and Thursday, 2 April 2020, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 31 March 2020.

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 its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made with all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for the six months ended 31 December 2019.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to 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 for the six months ended 31 December 2019 was noted by the Company.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be a transparent and responsible organisation which is open and accountable to its shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as risk management and internal control, fair disclosure and accountability to all shareholders of the Company to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for the shareholders of the Company. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for the shareholders of the Company.

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the six months ended 31 December 2019.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management over financial reporting system and internal control systems of the Group. The audit committee comprises Mr. Yeung Chi Tat (Chairman), Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk, all of whom are independent non-executive Directors. The interim condensed consolidated financial statements for the six months ended 31 December 2019 have not been audited, but the audit committee has discussed with the management of the Company and the external auditors, Ernst & Young, on the appropriateness and consistency of the accounting policies that have been adopted by the Company. In addition, Ernst & Young has performed certain agreed upon procedures in accordance with the request of the audit committee regarding the interim results and the interim report for the six months ended 31 December 2019 and reported to the audit committee accordingly. The audit committee has reviewed the interim results and the interim report of the Group for the six months ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2019, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.sitoy.com) and the Stock Exchange (www.hkexnews.hk). The Company's interim report for the six months ended 31 December 2019 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, 24 February 2020

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.