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 2020

The board (the "**Board**") of directors (the "**Directors**") of Sitoy Group Holdings Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (together, the "**Group**") for the year ended 30 June 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,808,898**	2,441,441
Cost of sales		**(1,369,866)**	(1,746,148)
Gross profit		**439,032**	695,293
Other income and gains	*4*	**56,087**	72,488
Selling and distribution expenses		**(237,442)**	(282,221)
Administrative expenses		**(296,559)**	(304,935)
Other expenses		**(72,234)**	(14,900)
Finance costs		**(11,374)**	(4,790)
(LOSS)/PROFIT BEFORE TAX	*5*	**(122,490)**	160,935
Income tax expense	*6*	**(27,685)**	(48,145)
(LOSS)/PROFIT FOR THE YEAR		**(150,175)**	112,790
Attributable to:			
Owners of the Company		**(132,833)**	125,566
Non-controlling interests		**(17,342)**	(12,776)
		(150,175)	112,790
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic			
– For (loss)/profit for the year (HK cents)		**(13.84)**	12.97
Diluted			
– For (loss)/profit for the year (HK cents)		**(13.79)**	12.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(150,175)**	112,790
OTHER COMPREHENSIVE 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	**453**	404
Income tax effect	**(109)**	(97)
	344	307
Exchange differences:		
Exchange differences on translation of foreign operations	**(44,499)**	(49,275)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(44,155)**	(48,968)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(44,155)**	(48,968)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(194,330)**	63,822
Attributable to:		
Owners of the Company	**(176,988)**	76,598
Non-controlling interests	**(17,342)**	(12,776)
	(194,330)	63,822

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2020** *HK$'000*	As at 30 June 2019 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**374,739**	409,471
Investment properties		**711,356**	733,095
Prepaid land lease payments		**–**	15,914
Right-of-use assets		**126,776**	–
Goodwill		**–**	2,346
Other intangible assets		**8,964**	20,434
Debt investments at fair value through other comprehensive income		**9,526**	13,996
Deferred tax assets		**28,969**	33,213
Other non-current assets		**13,539**	7,489
Total non-current assets		**1,273,869**	1,235,958
CURRENT ASSETS			
Inventories		**280,091**	393,779
Trade receivables	*9*	**271,064**	485,699
Prepayments, other receivables and other assets		**85,916**	86,365
Pledged deposits		**23,523**	23,484
Cash and cash equivalents		**517,822**	406,779
Total current assets		**1,178,416**	1,396,106
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*10*	**200,789**	166,289
Trade payables	*11*	**133,618**	221,806
Other payables and accruals		**113,838**	155,928
Lease liabilities	*10*	**55,190**	–
Tax payable		**16,589**	22,858
Total current liabilities		**520,024**	566,881
NET CURRENT ASSETS		**658,392**	829,225
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,932,261**	2,065,183
NON-CURRENT LIABILITIES			
Lease liabilities	*10*	**89,727**	–
Deferred tax liabilities		**7,293**	1,830
Deferred income		**2,729**	3,262
Total non-current liabilities		**99,749**	5,092
Net assets		**1,832,512**	2,060,091
EQUITY			
Share capital		**96,543**	96,543
Treasury shares		**(13,385)**	(19,910)
Reserves		**1,771,904**	1,988,666
Equity attributable to owners of the Company		**1,855,062**	2,065,299
Non-controlling interests		**(22,550)**	(5,208)
Total equity		**1,832,512**	2,060,091

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 2020. 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 and IFRSs for the first time for the current year's consolidated financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
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

Except for the amendments to IFRS 9, IAS 19 and IAS 28 and *Annual Improvements to IFRSs 2015-2017 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) 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 July 2019

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

	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

(b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 July 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$4,642,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 30 June 2020.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by tax authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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 provides 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 2020			
	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	**481,574**	**1,312,822**	**14,502**	**1,808,898**
Intersegment sales	**–**	**172,124**	**3,072**	**175,196**
	481,574	**1,484,946**	**17,574**	**1,984,094**
Reconciliation:				
Elimination of intersegment sales	**–**	**(172,124)**	**(3,072)**	**(175,196)**
Total revenue				**1,808,898**
Segment results	**(156,233)**	**60,595**	**(12,999)**	**(108,637)**
Reconciliation:				
Corporate and other unallocated expenses				**(13,853)**
Loss before tax				**(122,490)**
Segment assets	**529,098**	**2,126,108**	**748,511**	**3,403,717**
Reconciliation:				
Elimination of intersegment receivables				**(1,095,824)**
Corporate and other unallocated assets				**144,392**
Total assets				**2,452,285**
Segment liabilities	**821,615**	**326,440**	**567,086**	**1,715,141**
Reconciliation:				
Elimination of intersegment payables				**(1,095,824)**
Corporate and other unallocated liabilities				**456**
Total liabilities				**619,773**
Other segment information:				
Depreciation of items of property, plant and equipment	**12,268**	**30,810**	**–**	**43,078**
Unallocated depreciation of items of property, plant and equipment				**2,529**
				45,607
Depreciation of right-of-use assets	**47,092**	**4,382**	**–**	**51,474**
Amortization of other intangible assets	**1,247**	**–**	**–**	**1,247**
Write-down of inventories to net realizable value	**92,138**	**9,849**	**–**	**101,987**
Impairment of other intangible assets	**8,416**	**–**	**–**	**8,416**
Impairment of property, plant and equipment	**4,344**	**–**	**–**	**4,344**
Impairment of right-of-use assets	**20,355**	**–**	**–**	**20,355**
Impairment of goodwill	**2,346**	**–**	**–**	**2,346**
Operating lease rentals	**26,023**	**2,105**	**–**	**28,128**
Capital expenditure*	**13,852**	**5,878**	**–**	**19,730**

	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

* 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	
	2020	2019
	HK$'000	*HK$'000*
Revenue		
Mainland China, Hong Kong, Macau and Taiwan	**702,637**	902,726
North America	**314,015**	500,521
Europe	**383,488**	541,473
Other Asian countries	**367,020**	434,092
Other countries/regions	**41,738**	62,629
	1,808,898	2,441,441

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

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

	As at 30 June 2020	As at 30 June 2019
	HK$'000	*HK$'000*
Mainland China, Hong Kong, Macau and Taiwan	**1,220,812**	1,169,172
Europe	**14,466**	21,701
Other Asian countries	**9,622**	11,872
	1,244,900	1,202,745

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 2020, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$292,171,000 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 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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**1,794,396**	2,430,190
Revenue from other sources		
Gross rental income	**14,502**	11,251
	1,808,898	2,441,441

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2020

Segments	**Retail**	**Manufacturing**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Type of goods or services			
Sale of goods	**481,574**	**1,312,822**	**1,794,396**
Geographical markets			
Mainland China, Hong Kong, Macau and Taiwan	**407,569**	**280,566**	**688,135**
North America	**–**	**314,015**	**314,015**
Europe	**23,690**	**359,798**	**383,488**
Other Asian countries	**50,315**	**316,705**	**367,020**
Others	**–**	**41,738**	**41,738**
Total revenue from contracts with customers	**481,574**	**1,312,822**	**1,794,396**
Timing of revenue recognition			
Goods transferred at a point in time	**481,574**	**1,312,822**	**1,794,396**

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			
Mainland China, Hong Kong, Macau and Taiwan	514,006	377,469	891,475
North America	1,448	499,073	500,521
Europe	19,547	521,926	541,473
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
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 2020

Segments	**Retail**	**Manufacturing**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue from contracts with customers			
Sales to external customers	**481,574**	**1,312,822**	**1,794,396**
Intersegment sales	**–**	**172,124**	**172,124**
	481,574	**1,484,946**	**1,966,520**
Elimination of intersegment sales	**–**	**(172,124)**	**(172,124)**
Total revenue from contracts with customers	**481,574**	**1,312,822**	**1,794,396**

For the year ended 30 June 2019

Segments	Retail	Manufacturing	Total
	HK$'000	*HK$'000*	*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:

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period		
Sale of goods	**11,487**	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 handbags, 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 amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	9,082	11,487

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue in one year relate to sale of handbags, small leather goods, etc., of which the performance obligations that are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Government grants	**19,151**	3,906
Exchange gain, net	**18,692**	9,086
Royalty income	**6,464**	2,003
Interest income	**8,098**	7,224
Net sample and material income	**1,874**	8,343
Fair value gain on investment properties	**–**	40,260
Others	**1,808**	1,666
	56,087	72,488

5. (LOSS)/PROFIT BEFORE TAX

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

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**1,369,866**	1,746,148
Employee benefit expense (including Directors' and chief executive's remuneration)		
– Wages and salaries	**539,733**	623,585
– Equity-settled share option expense	**–**	115
– Equity-settled share award expense	**5,139**	10,723
– Pension scheme contributions	**21,773**	24,172
	566,645	658,595
Depreciation of items of property, plant and equipment	**45,607**	47,565
Depreciation of right-of-use assets (2019: amortisation of prepaid land lease payments)	**51,474**	422
Amortization of other intangible assets	**1,247**	2,371
Fair value loss/(gain) on investment properties (included in other expenses/other income and gains)	**21,739**	(40,260)
Fair value loss on investment property transferred from owner-occupied property (included in other expenses)	**–**	3,000
(Reversal of impairment)/impairment of trade receivables, net (included in other income and gains/other expenses)	**(190)**	2,513
Impairment of other intangible assets (included in other expenses)	**8,416**	3,316
Write-down of inventories to net realizable value	**101,987**	28,775
Impairment of right-of-use assets (included in other expenses)	**20,355**	–
Impairment of property, plant and equipment (included in other expenses)	**4,344**	–
Impairment of goodwill (included in other expenses)	**2,346**	–
Loss on disposal of items of property, plant and equipment (included in other expenses)	**1,244**	2,604
Loss on disposal of items of intangible assets (included in other expenses)	**2,437**	–
Minimum lease payments under operating leases	**–**	79,735
Lease payments not included in the measurement of lease liabilities	**28,128**	–
Auditors' remuneration	**2,350**	2,450
Exchange gain, net	**(18,692)**	(9,086)

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% for the year ended 30 June 2020 (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Income taxes in Italy, Korea, Taiwan and Japan have not been provided for as the Group has no assessable profit arising in those jurisdictions during the year ended 30 June 2020.

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2020 (2019: 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	
	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**2,163**	11,877
Adjustments in respect of current income tax of previous years	**(1,281)**	716
Current – Mainland China		
Charge for the year	**23,480**	34,120
Adjustments in respect of current income tax of previous years	**(1,700)**	(3,221)
Current – Other regions		
Charge for the year	**1,300**	–
Deferred tax	**3,723**	4,653
Total tax charge for the year	**27,685**	48,145

7. DIVIDENDS

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interim – 2020: HK2 cents per ordinary share (2019: HK6 cents per ordinary share)	**19,194**	57,415
Proposed final – 2020: nil (2019: HK2 cents per ordinary share) *(i)*	**–**	19,138
Proposed special – 2020: HK3 cents per share (2019: nil) *(i)*	**28,963**	–
	48,157	76,553

Note:

(i) The Board did not propose a final dividend for the year ended 30 June 2020 (2019: a final dividend of HK2 cents). The Board proposed a special dividend of HK3 cents for the year ended 30 June 2020 (2019: nil).

8. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (losses)/earnings per share amount is based on the (loss)/profit for the years ended 30 June 2020 and 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 end of the reporting period, and the weighted average number of ordinary shares of 959,610,459 (2019: 967,816,250) in issue excluding awarded shares during the year.

The calculation of the diluted (losses)/earnings per share amount is based on the (loss)/profit for the years ended 30 June 2020 and 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 years ended 30 June 2020 and 2019, as used in the basic (losses)/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 2020, the calculation of diluted (losses)/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 (2019: nil).

The calculations of basic and diluted (losses)/earnings per share are based on:

	Year ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
(Losses)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company used in the basic and diluted (losses)/earnings per share calculations	**(132,833)**	125,566

	Year ended 30 June	
	2020	2019
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic (losses)/earnings per share calculation	**959,610,459**	967,816,250
Effect of dilution – weighted average number of ordinary shares	**3,499,943**	4,964,193
Weighted average number of ordinary shares in issue during the year used in the diluted (losses)/earnings per share calculation	**963,110,402**	972,780,443
Basic (losses)/earnings per share (HK cents)	**(13.84)**	12.97
Diluted (losses)/earnings per share (HK cents)	**(13.79)**	12.91

9. TRADE RECEIVABLES

	As at 30 June 2020	As at 30 June 2019
	HK$'000	*HK$'000*
Trade receivables	**273,387**	488,212
Impairment	**(2,323)**	(2,513)
	271,064	485,699

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 2020	As at 30 June 2019
	HK$'000	*HK$'000*
Within 90 days	**192,700**	441,068
91 to 180 days	**62,183**	30,136
Over 180 days	**16,181**	14,495
	271,064	485,699

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

	Year ended 30 June 2020 *HK$'000*	Year ended 30 June 2019 *HK$'000*
At beginning of year	**2,513**	460
(Reversal of impairment losses)/impairment losses, net	**(190)**	2,513
Amounts written off as uncollectible	**–**	(460)
At end of year	**2,323**	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:

		Past due			
As at 30 June 2020	**Current**	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.16%**	**0.41%**	**4.40%**	**12.41%**	**0.85%**
Gross carrying amount *(HK$'000)*	**152,014**	**98,940**	**13,805**	**8,628**	**273,387**
Expected credit loss *(HK$'000)*	**238**	**407**	**607**	**1,071**	**2,323**

		Past due			
As at 30 June 2019	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
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

10. INTEREST-BEARING BANK BORROWINGS

	30 June 2020			1 July 2019	30 June 2019		
	Effective interest rate (%)	**Maturity**	**HK$'000**	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current							
Lease liabilities	**0.78–5.00**	**2020**	**55,190**	33,439	–	–	–
Bank loans – secured	**1.000–2.525**	**On demand**	**200,789**	110,831	1.750–2.525	On demand	110,831
Bank loans – unsecured			**–**	55,458	0.250–2.25	On demand	55,458
			255,979	199,728			166,289
Non-current							
Lease liabilities	**0.78–5.00**	**2021-2022**	**89,727**	84,150			–

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 2020	As at 30 June 2019
	HK$'000	*HK$'000*
Aggregate carrying amount	**21,776**	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 2020		As at 30 June 2019	
	Maturity	***HK$'000***	Maturity	*HK$'000*
Bank borrowings – secured	**2020-2022**	**200,789**	2019-2022	110,831
Bank borrowings – unsecured		**–**	2019-2020	55,458
		200,789		166,289
Analyzed into:				
Bank borrowings repayable:				
Within one year or on demand		**179,013**		109,658
In the second year		**21,776**		34,847
In the third to fifth years, inclusive		**–**		21,784
		200,789		166,289

11. 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 2020	As at 30 June 2019
	HK$'000	*HK$'000*
Within 90 days	**121,134**	201,921
91 to 180 days	**10,710**	7,866
181 to 365 days	**349**	5,108
Over 365 days	**1,425**	6,911
	133,618	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.

12. EVENT AFTER THE REPORTING PERIOD

Since late January 2020, the outbreak of COVID-19 has impacted the global business environment. Up to the date of this announcement, COVID-19 has resulted impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. The Company will closely monitor the situation and assess its impacts on the financial position and operating results of the Group. As of the date of this announcement, such assessment is still ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail business

Revenue generated from this segment decreased by approximately 15.5% year-on-year to approximately HK$481.6 million for the year ended 30 June 2020 ("**FY2020**") and incurred segment loss before tax of approximately HK$156.2 million when compared to the previous year which recorded a profit before tax of approximately HK$7.9 million. It was mainly due to the weaker consumer sentiment caused by continuous social incidents in Hong Kong and the global COVID-19 outbreak, which significantly impacted the revenue from different channels. During FY2020, the provision for impairment in respect of right-of-use assets, leasehold improvements (included in property, plant and equipment), trademarks (included in intangible assets) and goodwill were approximately HK$20.4 million, HK$4.3 million, HK$8.4 million and HK$2.3 million respectively. In addition, write-down of retail inventories to net realisable value of approximately HK$92.1 million is also the contributing factor to such decrease. However, these treatments are non-cash accounting treatments made in accordance with relevant accounting policies and therefore have no impact on the Group's cash position.

In order to mitigate the impact arising from various challenges, the Group has adopted various immediate measures, making an all-out effort to reduce costs in order to preserve working capital, reviewing the current point-of-sales network, improving the organizational structure and cost structure, streamlining processes with the aim of raising operational efficiency, maintaining the Group's strength for its long term development and enabling the Group to get through this difficult moment. The Group will also remain cautious and agile in business operation and preserve liquidity for the situation to stabilise.

The Group operated five brands as at 30 June 2020. 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. 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 the global brand, Cole Haan, in mainland China and Hong Kong and further 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 in late 2018. The acquisition further enhanced the Group's retail network covering Hong Kong, mainland China, Taiwan, Southeast Asia, Japan and Europe.

On the digital front, the Group continued to strengthen its e-commerce development with most of its brands which are already available on Tmall and JD.com or their own brand sites. It is expected that e-commerce will become more and more popular globally under the current situation.

Manufacturing business

During FY2020, the Group's purchase orders received from its external customers have decreased by approximately 29.4% when compared to the previous year. In early 2020, due to global COVID-19 outbreak, customers were cautious when placing orders and the volume of each order was lower than before, or some even cancelled and suspended the orders. However, the Group has maintained reasonable return with segment result of profit before tax to segment revenue ratio of approximately 4.6%. The manufacturing business has generated segment revenue from external customers of approximately HK$1,312.8 million with segment result of profit before tax of approximately HK$60.6 million.

In response to the impact of the global COVID-19 outbreak, the following strategies were adopted by the Group:

(1) Market Diversification: more than three years ago, we began to diversify our market reach. Currently, the proportion of revenue from North America, Europe and Asian markets are more evenly distributed;

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

(3) Production Flexibilities: with our different product plants in the PRC, we are able to manage our production lines to fit various production requirements.

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

The Group expanded into the property investment market in 2016 by acquiring a commercial building, now named as "Sitoy Tower", located in East Kowloon 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 from 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. In 2019, 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$14.5 million with segment result of loss before tax of approximately HK$13.0 million during FY2020 as a result of net fair value loss on the investment properties of approximately HK$21.7 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.

PROSPECT

Looking forward, the global COVID-19 outbreak is expected to continue to create unprecedented risks and challenges to the Group. The global business environment will become very challenging, impacting various businesses and industries, especially our manufacturing and retail businesses. With various adversities and challenges in the current market situations, the Group's operations in upcoming financial year will inevitably be impacted. However, the Group is led by the experienced management team, and together with our competitive advantages and strong financial fundamentals, we are confident we are able to mitigate the impact arising from various challenges by taking necessary policies and procedures to bring the business back to a healthy and profitable situation.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 25.9% to approximately HK$1,808.9 million for FY2020 from approximately HK$2,441.4 million for the year ended 30 June 2019 ("**FY2019**"). This decrease was primarily due to less manufacturing orders received from customers and drops in the retail business.

Cost of sales

Cost of sales of the Group decreased by approximately 21.5% to approximately HK$1,369.9 million for FY2020 from approximately HK$1,746.1 million for FY2019. The decrease in cost of sales was in line with revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately 36.9% to approximately HK$439.0 million for FY2020 from approximately HK$695.3 million for FY2019. The gross profit margin decreased to approximately 24.3% for FY2020 from approximately 28.5% for FY2019. The decrease was mainly due to the recession in the retail business, which in turn resulted in a write-down of retail inventories to net realisable value of approximately HK$92.1 million and included in cost of sales, which diluted the gross profit and gross profit margin.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 15.9% to approximately HK$237.4 million for FY2020 from approximately HK$282.2 million for FY2019. The decrease was primarily attributable to the tight cost control.

Administrative expenses

Administrative expenses slightly decreased by approximately 2.7% to approximately HK$296.6 million for FY2020 from approximately HK$304.9 million for FY2019.

Other expenses

Other expenses increased by approximately 384.8% to approximately HK$72.2 million for FY2020 from approximately HK$14.9 million for FY2019. The increase was primarily attributable to the inclusion of provision for impairment loss for right-of-use assets, property, plant and equipment, goodwill and intangible assets in an aggregation of approximately HK$35.5 million and fair value loss on investment properties of approximately HK$21.7 million.

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 the Cayman Islands and the British Virgin Islands. 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 2020 and 2019 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 FY2020 (2019: 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 FY2020 (2019: nil).

The PRC corporate income tax was based on a statutory rate of 25% (2019: 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 Group recorded loss before tax for FY2020 while the effective tax rate for 2019 was approximately 29.9%.

(Loss)/profit for the year

Loss for the year was approximately HK$150.2 million for FY2020 when compared to the profit for the year of approximately HK$112.8 million for FY2019.

Investment properties

Details of investment properties of the Group with carrying amounts of approximately HK$711.4 million and HK$733.1 million as at 30 June 2020 and 30 June 2019 respectively are as follows:

As at 30 June 2020 and 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.

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 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 FY2020, capital expenditure of the Group amounted to approximately HK$19.7 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 FY2020.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during FY2020.

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 2020 amounted to approximately HK$517.8 million (2019: HK$406.8 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 3.9% as at 30 June 2020 (2019: 6.2%), which is net debt divided by total capital plus net debt. The Group's net debt consists of interest-bearing bank borrowings, lease liabilities, trade and other payables and accruals, less cash and cash equivalents.

Foreign exchange risk

The Group has had transactional currency exposures for FY2020. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During FY2020, 71.3% (2019: 75.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 71.5% (2019: 69.5%) of the costs were denominated in the units' functional currency.

As at 30 June 2020 and 2019, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2020, approximately HK$23.5 million of time deposits were pledged as security for banking facilities available to the Group (2019: HK$23.5 million).

Inventory turnover days

Inventory turnover days increased to 114 days for FY2020 from 81 days for FY2019. The increase in inventory turnover days was due to the decrease in cost of sales.

Trade receivables turnover days

Trade receivables turnover days slightly increased to 76 days for FY2020 from 75 days for FY2019. The Group did not experience any significant credit risks due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days are 63 days for both FY2020 and FY2019. 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 2020, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2020, the Group had about 6,000 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 DIVIDEND

An interim dividend of HK2 cents per share was paid on 23 April 2020. The Directors did not propose the payment of a final dividend for FY2020 (30 June 2019: HK2 cents per share). The Directors proposed the payment of a special dividend of HK3 cents per share for FY2020 (30 June 2019: nil) to the shareholders whose names appear on the register of members of the Company on Wednesday, 25 November 2020. The proposed dividend, subject to approval by the shareholders at the annual general meeting to be held on Monday, 16 November 2020 (the "**2020 AGM**"), will be paid on or before Friday, 18 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 24 November 2020 and Wednesday, 25 November 2020, during which period no share transfer will be registered. In order to qualify for the proposed 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, 23 November 2020.

The register of members of the Company will be closed from Monday, 9 November 2020 to Monday, 16 November 2020 (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 2020 AGM will be Monday, 16 November 2020. In order to be eligible to attend and vote at the 2020 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, 6 November 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 set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made of all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for FY2020.

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 FY2020.

CORPORATE GOVERNANCE

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

The Board has adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for FY2020.

AUDIT COMMITTEE

The Company has 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 FY2020.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company to hold office until the conclusion of the next annual general meeting.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During FY2020, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

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 FY2020 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, 28 September 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.