時代集團控股有限公司
SITOY GROUP HOLDINGS LTD.

SITOY GROUP HOLDINGS LIMITED

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Financial highlights for the six months ended 31 December 2021

Revenue increased by approximately 39.1% over the same period in 2020 to approximately HK$932.6 million.

Gross profit increased by approximately 56.9% over the same period in 2020 to approximately HK$258.7 million.

Profit from continuing operations for the period was approximately HK$44.0 million compared to the loss for the same period in 2020 of approximately HK$51.7 million.

Loss for the period from discontinued operations was approximately HK$37.5 million compared to the loss for the same period in 2020 of approximately HK$38.1 million.

Basic earnings per share attributable to the owners of the Company for the period was approximately HK0.69 cents compared to basic loss per share for the same period in 2020 of approximately HK9.13 cents.

Declared interim dividend per ordinary share was HK2 cents for the six months ended 31 December 2021.

The board (the "Board") of directors (the "Directors") of Sitoy Group Holdings Limited (the "Company") announces 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 2021 (the "Period").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2021

		For the six months ended 31 December	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited and restated)
CONTINUING OPERATIONS			
REVENUE	*4*	**932,622**	670,707
Cost of sales		**(673,887)**	(505,783)
Gross profit		**258,735**	164,924
Other income and gains	*4*	**13,921**	14,100
Selling and distribution expenses		**(88,793)**	(77,676)
Administrative expenses		**(112,260)**	(98,893)
Reversal of impairment loss/(impairment losses) on financial assets, net		**629**	(201)
Other expenses		**(15,201)**	(60,732)
Finance costs		**(2,460)**	(362)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**54,571**	(58,840)
Income tax (expense)/credit	*6*	**(10,576)**	7,112
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**43,995**	(51,728)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	*7*	**(37,457)**	(38,124)
PROFIT/(LOSS) FOR THE PERIOD		**6,538**	(89,852)
Attributable to:			
Owners of the Company		**6,655**	(87,837)
Non-controlling interests		**(117)**	(2,015)
		6,538	(89,852)

		For the six months ended 31 December	
	Notes	**2021**	2020
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited and restated)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic			
– For profit/(loss) for the period (HK cents)		**0.69**	(9.13)
– For profit/(loss) for the period from continuing operations (HK cents)		**4.57**	(5.25)

Details of the dividends for the reporting period are disclosed in note 8 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**6,538**	(89,852)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**18,261**	98,405
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**18,261**	98,405
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**24,799**	8,553
Attributable to:		
Owners of the Company	**24,916**	10,568
Non-controlling interests	**(117)**	(2,015)
	24,799	8,553

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**As at 31 December 2021 HK$'000 (Unaudited)**	As at 30 June 2021 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**341,980**	365,376
Investment properties		**699,756**	699,956
Right-of-use assets		**49,085**	79,999
Other intangible assets		**2,424**	7,976
Debt investments designated at fair value through other comprehensive income		**–**	9,644
Deferred tax assets		**39,855**	38,939
Other non-current assets		**579**	12,366
Total non-current assets		**1,133,679**	1,214,256
CURRENT ASSETS			
Inventories		**268,467**	285,823
Trade receivables	*10*	**360,031**	229,792
Prepayments, other receivables and other assets		**86,369**	85,367
Pledged deposits		**25,740**	25,219
Cash and cash equivalents		**329,120**	477,820
		1,069,727	1,104,021
Assets of a disposal group classified as held for sale	*7*	**153,324**	–
Total current assets		**1,223,051**	1,104,021

	Notes	As at 31 December 2021 HK$'000 (Unaudited)	As at 30 June 2021 HK$'000 (Audited)
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**102,394**	126,599
Trade and bills payables	*11*	**245,627**	210,254
Other payables and accruals		**106,597**	119,426
Lease liabilities		**23,214**	41,623
Tax payable		**15,061**	19,065
		492,893	516,967
Liabilities directly associated with assets classified as held for sale	*7*	**74,529**	–
Total current liabilities		**567,422**	516,967
NET CURRENT ASSETS		**655,629**	587,054
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,789,308**	1,801,310
NON-CURRENT LIABILITIES			
Lease liabilities		**15,982**	42,563
Deferred tax liabilities		**7,175**	7,526
Deferred income		**2,271**	2,486
Total non-current liabilities		**25,428**	52,575
Net assets		**1,763,880**	1,748,735
EQUITY			
Share capital		**96,543**	96,543
Treasury shares		**(6,375)**	(6,375)
Reserves		**1,667,042**	1,651,780
Equity attributable to owners of the Company		**1,757,210**	1,741,948
Non-controlling interests		**6,670**	6,787
Total equity		**1,763,880**	1,748,735

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 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 "Stock Exchange") on 6 December 2011.

2.1 Basis of Preparation

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with International Accounting Standards ("IASs") and Interpretations 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

The unaudited interim condensed consolidated financial information does 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 2021.

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell.

This unaudited interim condensed consolidated financial information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000"), unless otherwise stated.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The nature and impact of the revised IFRSs are described below :

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$841,800 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 31 December 2021.

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.

Regarding the disposal of Sitoy AT Holdings Company and its subsidiaries, which was discontinued in the current period. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in more detail in note 7. The corresponding items of segment information for the period ended 31 December 2020 have been restated.

Segment performance is evaluated based on reportable segment loss/profit, which is a measure of adjusted loss/profit before tax from continuing operations. The adjusted loss/profit before tax from continuing operations is measured consistently with the Group's loss/profit before tax from continuing operations 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 2021 (unaudited)

	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**272,898**	**652,251**	**7,473**	**932,622**
Intersegment sales	**–**	**134,361**	**1,536**	**135,897**
	272,898	**786,612**	**9,009**	**1,068,519**
Reconciliation:				
Elimination of intersegment sales	**–**	**(134,361)**	**(1,536)**	**(135,897)**
Revenue from continuing operations				**932,622**
Segment results	**22,622**	**31,181**	**3,422**	**57,225**
Reconciliation:				
Corporate and other unallocated expenses, net				**(2,654)**
Profits before tax from continuing operations				**54,571**
Other segment information:				
Depreciation of items of property, plant and equipment	**2,495**	**13,189**	**–**	**15,684**
Unallocated depreciation of items of property, plant and equipment				**1,275**
				16,959
Amortization of right-of-use assets	**12,242**	**2,846**	**–**	**15,088**
Reversal of write down of net realizable value	**(117)**	**(8,646)**	**–**	**(8,763)**
Capital expenditure*	**1,371**	**4,137**	**–**	**5,508**

For the six months ended 31 December 2020 (unaudited and restated)

	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	192,443	471,264	7,000	670,707
Intersegment sales	–	94,403	1,536	95,939
	192,443	565,667	8,536	766,646
Reconciliation:				
Elimination of intersegment sales	–	(94,403)	(1,536)	(95,939)
Revenue from continuing operations				670,707
Segment results	(2,190)	(44,227)	(3,757)	(50,174)
Reconciliation:				
Corporate and other unallocated expenses, net				(8,666)
Profit before tax from continuing operations				(58,840)
Other segment information:				
Depreciation of items of property, plant and equipment	2,230	14,229	–	16,459
Unallocated depreciation of items of property, plant and equipment				1,274
				17,733
Amortization of right-of-use assets	12,564	2,682	–	15,246
(Reversal of write down of)/ write down of inventories to net realizable value	(2,466)	1,807	–	(659)
Capital expenditure*	2,676	875	–	3,551

* 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 2021 and as at the date of the last annual financial statements (30 June 2021).

As at 31 December 2021 (unaudited)

	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment assets	**271,933**	**1,865,591**	**798,390**	**2,935,914**
Reconciliation:				
Elimination of intersegment receivables				**(862,880)**
Corporate and other unallocated assets				**130,372**
Assets related to discontinued operations				**153,324**
Total assets				**2,356,730**
Segment liabilities	**343,235**	**416,715**	**620,653**	**1,380,603**
Reconciliation:				
Elimination of intersegment payables				**(862,880)**
Corporate and other unallocated liabilities				**598**
Liabilities related to discontinued operations				**74,529**
Total liabilities				**592,850**

As at 30 June 2021 (audited)

	Retail *HK$'000*	Manufacturing *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment assets	533,066	2,113,056	752,100	3,398,222
Reconciliation:				
Elimination of intersegment receivables				(1,211,201)
Corporate and other unallocated assets				131,256
Total assets				2,318,277
Segment liabilities	805,583	355,256	619,419	1,780,258
Reconciliation:				
Elimination of intersegment payables				(1,211,201)
Corporate and other unallocated liabilities				485
Total liabilities				569,542

Geographical information

The following table sets out information about the geographical location of the Group's revenue of continuing operations from external customers and the Group's non-current assets of continuing operations.

(a) Revenue from external customers

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Revenue		
North America	**205,806**	110,409
Europe	**173,343**	127,597
Mainland China, Hong Kong, Macau and Taiwan	**409,318**	282,406
Other Asian countries	**113,785**	132,935
Others	**30,370**	17,360
	932,622	670,707

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

(b) Non-current assets

	As at 31 December 2021	As at 30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China, Hong Kong and Macau	**1,093,824**	1,145,490
Europe	**–**	18,371
Other Asian countries	**–**	11,456
	1,093,824	1,175,317

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 a major customer

For the six months ended 31 December 2021, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$214,317,000 (unaudited) had accounted for over 10% of the Group's revenue, from continuing operations 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 2020, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$108,602,000 (unaudited) had accounted for over 10% of the Group's revenue, from continuing operations 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	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Revenue from contracts with customers	**925,149**	663,707
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	**7,473**	7,000
	932,622	670,707

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 150 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	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Net sample and material income	**4,164**	1,417
Interest income	**3,217**	2,112
Government grants	**4,863**	9,744
Others	**1,677**	827
	13,921	14,100

5. Profit/(Loss) Before Tax from Continuing Operations

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

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Cost of inventories sold	**673,887**	505,783
Employee benefit expense including Directors' and chief executive's remuneration		
– Wages and salaries	**210,755**	193,648
– Pension scheme contributions	**13,965**	11,169
– Equity-settled share award expense	**–**	1,069
	224,720	205,886

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Depreciation of items of property, plant and equipment	**16,959**	17,733
Depreciation of right-of-use assets	**15,088**	15,246
Lease payments not included in the measurement of lease liabilities	**855**	2,292
Reversal of write-down of inventories to net realizable value	**(8,763)**	(659)
Auditors' remuneration	**900**	800
Exchange loss, net	**11,054**	51,042

6. Income Tax Expense/(Credit)

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 31 December 2021 (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 31 December 2021.

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 2021 (six months ended 31 December 2020: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2020: 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 2021.

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

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Current – Hong Kong		
Charge for the period	**1,081**	–
Current – Mainland China		
Charge for the period	**10,101**	11,527
Current – Other regions		
Charge for the period	**68**	–
Deferred tax	**(674)**	(18,639)
Total tax expense/(credit) for the period	**10,576**	(7,112)

7. Discontinued Operations/Assets of a Disposal Group Classified as Held for Sale/Liabilities Directly Associated With Assets Classified as Held For Sale

On 3 November 2021, Sitoy International Limited, a subsidiary of the Company, as seller, and Ample Fame Investments Limited ("Ample Fame"), as purchaser, entered into a sales and purchase agreement ("Agreement") in relation to the disposal (the "Disposal") of the entire issued share capital of Sitoy AT Holding Company Limited and its subsidiaries (the "Target Group"). The Disposal was completed in January 2022, at the consideration of HK$1 and the post-closing payment of EUR2,538,000 (approximately HK$22,413,000). Pursuant to the Agreement, the inter-company loans due to the Company from the Disposal amounted to RMB41,137,000 (approximately HK$50,382,000) as at 31 December 2021 will be repaid to the Company. The Group has reclassified the Target Group as discontinued operations, and relevant assets and liabilities have been reclassified as "assets of a disposal group classified as held for sale" and "liabilities directly associated with assets classified as held for sale" respectively as at 31 December 2021. For further details, please refer to the announcements of the Company dated 3 November 2021 and 5 November 2021.

(a) The results of the Disposal Group for the six months ended 31 December 2021 are presented below:

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**55,477**	59,956
Cost of sales	**(14,608)**	(11,717)
Expenses	**(72,909)**	(66,704)
Finance costs	**(1,750)**	(1,953)
Loss from the discontinued operations	**(33,790)**	(20,418)
Loss recognised on the remeasurement to fair value	**(9,165)**	–
Loss before tax from the discontinued operations	**(42,955)**	(20,418)
Income tax credit/(expense)	**5,498**	(17,706)
Loss for the period from the discontinued operations	**(37,457)**	(38,124)

(b) The major classes of assets and liabilities of the Disposal Group classified as held for sale are as follows:

	As at 31 December 2021 HK$'000 (Unaudited)
Assets	
Property, plant and equipment	**9,214**
Right-of-use assets	**12,202**
Other intangible assets	**3,064**
Other non-current assets	**10,323**
Debt investments designated at fair value through other comprehensive income	**10,367**
Inventories	**66,810**
Trade receivables	**12,892**
Prepayments, other receivables and other assets	**12,672**
Cash and short term deposits	**15,780**
Assets classified as held for sale	**153,324**
Liabilities	
Trade payables	**15,824**
Other payables and accruals	**25,643**
Tax payable	**2,711**
Lease liabilities	**29,212**
Deferred tax liabilities	**1,139**
Liabilities directly associated with the assets classified as held for sale	**74,529**
Net assets directly associated with the Disposal Group	**78,795**

(c) **The net cash flows incurred by the Disposal Group are as follows:**

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating activities	**(22,486)**	(10,116)
Investing activities	**(9,130)**	(8,795)
Financing activities	**5,809**	4,985
Effect of foreign exchange rate changes	**473**	2,071
Net cash outflow	**(25,335)**	(11,855)

(d) **Loss per share**

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
Basic and diluted, from the discontinued operations *(HK cents)*	**(3.88)**	(3.88)

The calculations of basic and diluted loss per share from the discontinued operations are based on:

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operations *(HK$'000)*	**(37,340)**	(37,312)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**962,702,000**	962,506,348

Assets held for sale with a carrying amount of approximately HK$162,489,000 were written down to its fair value of approximately HK$153,324,000 resulting in a loss of approximately HK$9,165,000 which was included in loss for the period from a discontinued operation during the six months ended 31 December 2021.

8. Dividends

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends on ordinary shares declared and paid during the six-month period:		
Special dividend for the year ended 30 June 2021: HK1 cent per ordinary share (year ended 30 June 2020: HK3 cents per ordinary share)	**9,654**	28,881
Final dividend for the year ended 30 June 2021: HK1 cent per ordinary share (year ended 30 June 2020: nil)	**–**	–
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 2020: HK2 cents)	**19,309**	19,309

On 28 February 2022, the Board of Directors of the Company resolved to declare an interim dividend of HK2 cents for the six months ended 31 December 2021 (six months ended 31 December 2020: HK2 cents).

9. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the six months ended 31 December 2021 and 2020 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 962,702,000 (six months ended 31 December 2020: 962,506,348) in issue excluding awarded shares during the six months ended 31 December 2021.

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) for the six months ended 31 December 2021 and 2020 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 2021 and 2020, as used in the basic earnings/(loss) 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 2021, 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 (six months ended 31 December 2020: nil).

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

	For the six months ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Profit/(Loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation		
From continuing operations	**43,995**	(50,525)
Basic and diluted:		
Earnings/(loss) per share from the continuing operations *(HK cents)*	**4.57**	(5.25)

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**962,702,000**	962,506,348
Effect of dilution – weighted average number of ordinary shares:	**–**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**962,702,000**	962,506,348

10. Trade Receivables

	As at 31 December 2021	As at 30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**363,120**	233,510
Impairment	**(3,089)**	(3,718)
	360,031	229,792

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 150 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 2021	As at 30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**318,720**	202,656
91 to 180 days	**26,972**	17,339
Over 180 days	**14,339**	9,797
	360,031	229,792

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

	Six months ended 31 December 2021 ***HK$'000*** **(Unaudited)**	Year ended 30 June 2021 *HK$'000* (Audited)
At beginning of period/year	**3,718**	2,323
(Reversal of impairment losses)/ impairment losses, net	**(629)**	1,395
At the end of period/year	**3,089**	3,718

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 2021 (Unaudited)

		Past due			
	Current	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.15%**	**0.34%**	**4.35%**	**18.75%**	**0.85%**
Gross carrying amount *(HK$'000)*	**238,221**	**110,936**	**1,772**	**12,191**	**363,120**
Expected credit loss *(HK$'000)*	**348**	**378**	**77**	**2,286**	**3,089**

As at 30 June 2021 (Audited)

		Past due			
	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.18%	0.44%	5.27%	26.22%	1.59%
Gross carrying amount *(HK$'000)*	157,284	62,184	2,467	11,575	233,510
Expected credit loss *(HK$'000)*	279	274	130	3,035	3,718

11. Trade and Bills Payables

An ageing analysis of the outstanding trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December 2021 *HK$'000* **(Unaudited)**	As at 30 June 2021 *HK$'000* (Audited)
Within 90 days	**227,852**	199,380
91 to 180 days	**15,395**	7,747
181 to 365 days	**257**	1,534
Over 365 days	**2,123**	1,593
	245,627	210,254

The trade and bills payables are non-interest-bearing and are normally to be settled within 90 days. The carrying amounts of the trade and bills payables approximate to their fair values.

12. Events After the Reporting Period

Effect assessment of the Novel Coronavirus disease outbreak

Since the outbreak of the Novel Coronavirus (COVID-19) disease, ongoing prevention and control measures have been carried out by different countries or areas. The pandemic 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 announcement, such assessment is still ongoing by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail business

Revenue generated from this segment increased by approximately 41.8% period to period to approximately HK$272.9 million for the Period, benefiting mainly from the live broadcast sales especially in the PRC market. It generated segment profit before tax of approximately HK$22.6 million when compared to the same period in the previous year of segment loss before tax of approximately HK$2.2 million.

In order to capture the growing demand in the retail business, especially in the PRC market, the Group has adopted various immediate measures, such as reviewing the current brand portfolio and point-of-sales network, improving organisation structure to achieve better resource allocation and setting up our own e-commerce team, thereby maintaining the Group's strength for its long term development. The Group will also remain cautious and agile in business operation and preserve liquidity pending the stabilisation of the pandemic.

The Group currently operates three 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. 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.

On the digital front, the Group not only worked with certain key opinion leaders and entered into the live broadcast sales channel, like Tiktok and Tmall, but also started its own-operated live broadcast channel. The Group has successfully built up its own live broadcast sales team and achieved satisfactory results. In addition, it is expected that future store openings will be concentrated in the PRC cities.

Manufacturing business

During the Period, the Group's purchase orders received from its external customers have increased by approximately 38.4% when compared to the same period in the previous year. It was mainly due to the fact that brand customers reviewed their sourcing strategies and started to source their supplies directly from the PRC because of its stable supply chain and high quality production to support the growing business in the PRC market whilst COVID-19 pandemic remains relatively under control during the Period. The manufacturing business has generated segment revenue from external customers of approximately HK$652.3 million with segment profit before tax of approximately HK$31.2 million for the Period.

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 20-storey office building, now named as "Sitoy Tower", located in East Kowloon at 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (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 4th to 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, 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$7.5 million with segment profit before tax of approximately HK$3.4 million during the Period.

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 high level of craftsmanship and value-added services, the Group will strengthen its competitive edge in the industry in order to 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 craftsmanship and services with cutting-edge handbag designs in order to attract more brand customers.

PROSPECT

Retail business

The restructuring of the brand portfolio by disposing Amedeo Testoni (formerly known as "A. Testoni") allows the Group to reallocate resources into developing other retail brands especially in the Greater China market. The current operating brands can generate more synergy and share the resources because of their point of sales network, price range and product types.

The PRC is an enormous market in which we expect the growth in domestic demand will ride on the accelerated recovery of market activities as the COVID-19 pandemic remains under control. Thanks to our well established retail network in the PRC in the past ten years, not only offline stores, but also online channels, we expect our retail segment will achieve satisfactory results and become another profit stream in the future.

The continuous development of the e-commerce business enables us 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 by presenting and delivering its products to its customers through different platforms and channels through broadcast sales.

Manufacturing business

Living with COVID-19 or zero COVID-19 strategies implemented by different countries or areas together with the growing global COVID-19 vaccine injection rate have stabilised the COVID-19 situation, especially in the PRC. As such, brand customers started to source their supplies directly from the PRC because of its stable supply chain and high quality production to support the growing business in the PRC market, which benefits our manufacturing business in the Period, and we expect the growing trend will be continued. 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, small leather goods, business and travel goods.

The Group has fostered relationships with new customers from England, Germany, the 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 and thereby enhance our competitiveness.

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 of this fiscal year.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 39.1% to approximately HK$932.6 million for the six months ended 31 December 2021 from approximately HK$670.7 million for the six months ended 31 December 2020. This increase was primarily due to the increase in demand from the brand customers in the manufacturing business and retail business.

Cost of sales

Cost of sales of the Group increased by approximately 33.2% to approximately HK$673.9 million for the six months ended 31 December 2021 from approximately HK$505.8 million for the six months ended 31 December 2020. The increase in cost of sales was in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit increased by approximately 56.9% to approximately HK$258.7 million for the six months ended 31 December 2021 from approximately HK$164.9 million for the six months ended 31 December 2020. Gross profit margin increased from 24.6% for the six months ended 31 December 2020 to 27.7% for the six months ended 31 December 2021, it was mainly due to the fact that the manufacturing customers were willing to pay higher margin in order to enjoy the stable and high quality productions in the PRC, as well as the improved retail business and lower discounts granted to customers.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 14.3% to approximately HK$88.8 million for the six months ended 31 December 2021 from approximately HK$77.7 million for the six months ended 31 December 2020. The increase was primarily attributable to the launch of certain marketing activities of the retail business.

Administrative expenses

Administrative expenses increased by approximately 13.5% to approximately HK$112.3 million for the six months ended 31 December 2021 from approximately HK$98.9 million for the six months ended 31 December 2020 due to more administrative staff being hired to manage the growing manufacturing and retail businesses.

Other expenses

Other expenses decreased from approximately HK$60.7 million for the six months ended 31 December 2020 to approximately HK$15.2 million for the six months ended 31 December 2021. It was mainly because of the decrease in net exchange loss to approximately HK$11.1 million (mostly unrealised) which was included in other expenses, when compared to the net exchange loss in the same period in the previous year of approximately HK$51.0 million.

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 2021 and 2020 of 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 2021 (six months ended 31 December 2020: 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 for the six months ended 31 December 2021 was 19.4% while the Group recorded loss before tax for the six months ended 31 December 2020.

Profit/loss for the Period

The Group recorded net profit for the period of approximately HK$6.5 million for the six months ended 31 December 2021 (profit from continuing operations of approximately HK$44.0 million and loss from discontinued operations of approximately HK$37.5 million) when compared to the loss for the same period in 2020 of approximately HK$89.9 million (loss from continuing operations of approximately HK$51.7 million and loss from discontinued operations of approximately HK$38.1 million). The turnaround is mainly due to 1) living with COVID-19 or zero COVID-19 strategies implemented by different countries or areas together with the growing global COVID-19 vaccine injection rate, which has stabilised the COVID-19 situation, especially in the PRC, during the six months ended 31 December 2021, benefiting both our manufacturing and retail businesses and 2) the stabilised Hong Kong commercial property market and lower fair value loss is recorded in the property investment business.

Discontinued operations

With the disposal of the entire issued share capital of Sitoy AT Holdings Company Limited and its subsidiaries (the "Target Group"), as per accounting treatment, the Group has reclassified the Target Group as discontinued operations, and relevant assets and liabilities have been reclassified as "assets of a disposal group classified as held for sale" and "liabilities directly associated with assets classified as held for sale" respectively.

During the Period, the discontinued operations incurred loss of approximately HK$37.5 million, as compared to the loss for the same period in 2020 of approximately HK$38.1 million and included in the non-operating items. The Group has also recognised the impairment loss in respect of the assets of a disposal group classified as held for sale of approximately HK$9.2 million by taking into account the recoverable amount, provision relating to the potential liabilities and other transaction costs directly attributable to the disposal, if any.

After impairment, it is expected that the Group will not record a material gain or loss as a result of the disposal. It is different from the previous estimated loss on disposal of approximately HK$43.8 million as disclosed in the announcements of the Company dated 3 November 2021 and 5 November 2021, because of the net effect of the following changes: 1) final consideration decreased by HK$8.8 million, 2) estimated consolidated net asset value (excluding inter-company balances) of the Target Group on completion date decreased by approximately HK$43.1 million, mainly due to the operating loss incurred from October 2021 to completion date, and change in certain accounting estimations and judgments, 3) impairment loss of approximately HK$9.2 million recognised during the Period, and 4) non-controlling interest increased by approximately HK$0.3 million. The disposal was completed in January 2022, and the actual gain or loss as a result of the disposal to be recorded by the Group is still subject to final audit to be performed by the auditors of the Company.

Investment properties

Details of investment properties of the Group with carrying amounts of approximately HK$699.8 million and HK$700.0 million as at 31 December 2021 and 30 June 2021 respectively are as follows:

As at 31 December 2021 and 30 June 2021

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. 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 2021, the fair value of the remaining floors of Property 1 was approximately HK$604.8 million, which represented approximately 25.7% of the Group's total assets. During the six months ended 31 December 2021, the remaining floors of Property 1 had generated total rental income of approximately HK$6.1 million. No fair value loss was recognized in respect of Property 1 during the six months ended 31 December 2021 (2020: HK$6.4 million).

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 was 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 was transferred to investment property. 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.

Right-of-use assets

As at 31 December 2021, right-of-use assets decreased from approximately HK$80.0 million as at 30 June 2021 to approximately HK$49.1 million. It was mainly because the reclassification of a portion of right-of-use assets to assets of a disposal group classified as held for sale and amortization charged during the Period.

Capital expenditure

For the six months ended 31 December 2021, the capital expenditure of the Group amounted to approximately HK$5.5 million, primarily related to the expansion of retail business and upgrade of manufacturing facilities.

Significant investments

Save as disclosed, the Group had no significant investments held during the Period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 3 November 2021, a sale and purchase agreement was entered into between, amongst others, Sitoy International Limited (時代國際有限公司) (the "Vendor", a wholly-owned subsidiary of the Company) and Ample Fame Investments Limited (滿譽投資有限公司) (the "Purchaser", a wholly-owned subsidiary of Viva China Holdings Limited, a company whose shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8032)), pursuant to which (i) the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Sitoy AT Holdings Company Limited and its subsidiaries (the "Target Group") at a consideration of HK$50,000,000, subject to adjustments; and (ii) the Vendor and the Purchaser agreed that the Purchaser shall pay or procure the payment of the post-closing payment after completion, being an amount of up to EUR3,500,000, subject to adjustments. Upon completion, the Target Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

As one or more of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the disposal is 5% or more but all of them are less than 25%, the disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules. For further details, please refer to the announcements of the Company dated 3 November 2021 and 5 November 2021, and the section headed "Discontinued operations" in this announcement.

Other than disclosed above, the Group had no other 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 its 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 2021 amounted to approximately HK$329.1 million (30 June 2021: approximately HK$477.8 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 2021 was approximately 6.7% (30 June 2021: 3.5%).

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 2021, 65.2% (31 December 2020: 63.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the transaction, whilst approximately 79.5% (31 December 2020: 74.5%) of costs were denominated in the units' functional currency. As at 31 December 2021, the Group had no foreign exchange forward contracts and other financial derivatives outstanding (30 June 2021: nil).

Pledge of Assets

As at 31 December 2021, approximately HK$25.7 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2021: approximately HK$25.2 million).

As at 31 December 2021, secured bank borrowings were approximately HK$102.4 million (30 June 2021: HK$126.6 million).

Inventory turnover days

Inventory turnover days decreased to 88 days for the six months ended 31 December 2021 from 144 days for the year ended 30 June 2021. The decrease in inventory turnover days was mainly due to the increase in sales contributions from both manufacturing and retail businesses.

Trade receivables turnover days

Trade receivables turnover days decreased to 54 days for the six months ended 31 December 2021 compared with 64 days for the year ended 30 June 2021. The Group did not experience any significant credit risk due to strict credit control policies.

Trade and bills payables turnover days

Trade and bills payables turnover days decreased to 76 days for the six months ended 31 December 2021 compared with 86 days for the year ended 30 June 2021. It was mainly due to increase in cost of sales.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 31 December 2021, the Group did not have any material off-balance sheet commitments and arrangements. The Group did not have any material contingent liabilities as at 31 December 2021.

EMPLOYEES

As at 31 December 2021, the Group had about 4,400 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the 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 recreational 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 on 15 November 2011 (which has lapsed on 14 November 2021) and a share award scheme 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 2020: HK2 cents) per ordinary share to the shareholders for the six months ended 31 December 2021 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 Friday, 8 April 2022. It is expected that the interim dividend will be paid on or before Friday, 29 April 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 April 2022 to Friday, 8 April 2022 (both days inclusive), 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 Monday, 4 April 2022.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made 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 2021.

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 2021 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 being 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 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”) set out in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the six months ended 31 December 2021.

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 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 2021 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 2021 and has 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 2021.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 December 2021.

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 2021 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 February 2022

As at the date of this announcement, the executive Directors are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai and Mr. Yeung Andrew Kin; non-executive Director is 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.