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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 2022

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
CONTINUING OPERATIONS			
REVENUE	4	1,845,875	1,314,416
Cost of sales		(1,311,900)	(986,671)
Gross profit		533,975	327,745
Other income and gains	4	37,594	30,392
Selling and distribution expenses		(157,243)	(144,044)
Administrative expenses		(216,526)	(209,968)
Other expenses		(1,456)	(79,468)
Impairment losses on financial assets, net		(6,110)	(1,309)
Finance costs	5	(5,539)	(5,519)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	184,695	(82,171)
Income tax expense	7	(34,324)	(1,211)

		Year ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i> (restated)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		150,371	(83,382)
DISCONTINUED OPERATION	8		
Loss for the year from a discontinued operation		<u>(38,859)</u>	<u>(70,277)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>111,512</u>	<u>(153,659)</u>
Attributable to:			
Owners of the Company		111,629	(150,249)
Non-controlling interests		<u>(117)</u>	<u>(3,410)</u>
		<u>111,512</u>	<u>(153,659)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit/(loss) for the year (HK cents)		<u>11.60</u>	<u>(15.61)</u>
– For profit/(loss) from continuing operations (HK cents)		<u>15.62</u>	<u>(8.37)</u>
Diluted			
– For profit/(loss) for the year (HK cents)		<u>11.56</u>	<u>(15.61)</u>
– For profit/(loss) from continuing operations (HK cents)		<u>15.58</u>	<u>(8.37)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>111,512</u>	<u>(153,659)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	–	1,107
Income tax effect	–	<u>(266)</u>
	–	841
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(57,668)</u>	<u>111,341</u>
Net other comprehensive (loss)/profit that may be reclassified to profit or loss in subsequent periods	<u>(57,668)</u>	<u>112,182</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(57,668)</u>	<u>112,182</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>53,844</u>	<u>(41,477)</u>
Attributable to:		
Owners of the Company	53,961	(38,067)
Non-controlling interests	<u>(117)</u>	<u>(3,410)</u>
	<u>53,844</u>	<u>(41,477)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022	As at 30 June 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		319,796	365,376
Investment properties		699,756	699,956
Right-of-use assets		58,773	79,999
Other intangible assets		2,424	7,976
Debt investments at fair value through other comprehensive income		–	9,644
Deferred tax assets		20,835	38,939
Other non-current assets		554	12,366
Total non-current assets		<u>1,102,138</u>	<u>1,214,256</u>
CURRENT ASSETS			
Inventories		286,719	285,823
Trade receivables	11	382,874	229,792
Prepayments, other receivables and other assets		82,694	85,367
Pledged deposits		46,858	25,219
Cash and cash equivalents		314,783	477,820
Total current assets		<u>1,113,928</u>	<u>1,104,021</u>
CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	62,544	126,599
Trade and bills payables	13	225,256	210,254
Other payables and accruals		96,282	119,426
Lease liabilities	12	23,866	41,623
Tax payable		11,338	19,065
Total current liabilities		<u>419,286</u>	<u>516,967</u>
NET CURRENT ASSETS		<u>694,642</u>	<u>587,054</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,796,780</u>	<u>1,801,310</u>
NON-CURRENT LIABILITIES			
Lease liabilities	12	22,186	42,563
Deferred tax liabilities		7,135	7,526
Deferred income		1,923	2,486
Total non-current liabilities		<u>31,244</u>	<u>52,575</u>
Net assets		<u>1,765,536</u>	<u>1,748,735</u>
EQUITY			
Share capital		96,543	96,543
Treasury shares		(6,375)	(6,375)
Reserves		1,675,368	1,651,780
Equity attributable to owners of the Company		<u>1,765,536</u>	<u>1,741,948</u>
Non-controlling interests		–	6,787
Total equity		<u>1,765,536</u>	<u>1,748,735</u>

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 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 its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2022. 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.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June
2021 (early adopted)*

The nature and the 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 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 hedging relationships.
- (b) Amendment to IFRS 16 issued in May 2020 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 June 2020 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 amendments did not have any impact on the financial position and performance of the Group.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 30 June 2022 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\$2,090,000 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 2022.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Retail: engages in the manufacture, retail and wholesale of handbags, small leather goods, travel goods and footwear products for the brands owned or licensed by the Group, designs handbag and accessories and provides 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, which are excluded from this measurement.

Regarding the disposal of Viva China Premium Brands Limited (formerly known as "Sitoy AT Holding Company Limited") and its subsidiaries, which were discontinued in the current year, the segment information reported in the following pages does not include any amounts for this discontinued operation, which are described in details in note 8 in this announcement. The corresponding items of consolidated statement of profit or loss, consolidated statement of cash flows, relevant disclosure notes and segment information for the year ended 30 June 2021 have been restated accordingly.

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 2022			
	Retail	Manufacturing	Property	Total
	HK\$'000	HK\$'000	investment	HK\$'000
			HK\$'000	
Segment revenue:				
Sales to external customers	452,761	1,379,387	13,727	1,845,875
Intersegment sales	–	207,176	3,072	210,248
	<u>452,761</u>	<u>1,586,563</u>	<u>16,799</u>	<u>2,056,123</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales	–	(207,176)	(3,072)	(210,248)
Revenue from continuing operations				<u>1,845,875</u>
Segment results	32,490	150,328	6,881	189,699
<i>Reconciliation:</i>				
Corporate and other unallocated expenses				(5,004)
Profit before tax				<u>184,695</u>
Segment assets	359,072	2,157,276	762,144	3,278,492
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,191,311)
Corporate and other unallocated assets				128,885
Total assets				<u>2,216,066</u>
Segment liabilities	673,081	347,740	620,344	1,641,165
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,191,311)
Corporate and other unallocated liabilities				676
Total liabilities				<u>450,530</u>
Other segment information:				
Depreciation of items of property, plant and equipment	5,064	26,744	–	31,808
Unallocated depreciation of items of property, plant and equipment				2,529
				<u>34,337</u>
Depreciation of right-of-use assets	21,418	7,709	–	29,127
Write-down/(reversal of write-down of) inventories to net realizable value	552	(7,932)	–	(7,380)
Operating lease rentals	6,683	1,283	–	7,966
Capital expenditure*	5,657	6,324	–	11,981

	Year ended 30 June 2021 (restated)			
	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	403,817	897,062	13,537	1,314,416
Intersegment sales	–	195,680	3,072	198,752
	403,817	1,092,742	16,609	1,513,168
<i>Reconciliation:</i>				
Elimination of intersegment sales	–	(195,680)	(3,072)	(198,752)
Total revenue				<u>1,314,416</u>
Segment results	(8,257)	(52,109)	(2,640)	(63,006)
<i>Reconciliation:</i>				
Corporate and other unallocated expenses				<u>(19,165)</u>
Loss before tax				<u>(82,171)</u>
Segment assets	533,066	2,113,056	752,100	3,398,222
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,211,201)
Corporate and other unallocated assets				<u>131,256</u>
Total assets				<u>2,318,277</u>
Segment liabilities	805,583	355,256	619,419	1,780,258
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,211,201)
Corporate and other unallocated liabilities				<u>485</u>
Total liabilities				<u>569,542</u>
Other segment information:				
Depreciation of items of property, plant and equipment	5,011	27,599	–	32,610
Unallocated depreciation of items of property, plant and equipment				<u>2,528</u>
				35,138
Depreciation of right-of-use assets	21,058	4,766	–	25,824
Reversal of write-down of inventories to net realizable value	(14,716)	(703)	–	(15,419)
Impairment of property, plant and equipment	28	–	–	28
Impairment of right-of-use assets	257	–	–	257
Operating lease rentals	7,429	2,385	–	9,814
Capital expenditure*	4,568	2,736	–	7,304

* 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	
	2022 HK\$'000	2021 HK\$'000 (restated)
Revenue		
Mainland China, Hong Kong, Macau and Taiwan	725,061	593,232
North America	424,842	201,648
Europe	399,228	231,106
Other Asian countries	218,609	249,204
Other countries/regions	78,135	39,226
	<u>1,845,875</u>	<u>1,314,416</u>

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

(b) Non-current assets

	As at 30 June 2022 HK\$'000	As at 30 June 2021 HK\$'000
	Mainland China, Hong Kong, Macau and Taiwan	1,081,303
Europe	–	18,371
Other Asian countries	–	11,456
	<u>1,081,303</u>	<u>1,175,317</u>

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 2022, revenue derived from sales by the manufacturing segment to a major customer amounting to approximately HK\$428,744,000 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 2021, revenue derived from sales by the manufacturing segment to a major customer amounting to approximately HK\$208,621,000 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	
	2022 HK\$'000	2021 HK\$'000 (restated)
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>1,832,148</u>	<u>1,300,879</u>
<i>Revenue from other sources</i>		
Gross rental income	<u>13,727</u>	<u>13,537</u>
	<u>1,845,875</u>	<u>1,314,416</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 30 June 2022

Segments	Retail HK\$'000	Manufacturing HK\$'000	Total HK\$'000
Type of goods or services			
Sale of goods	<u>452,761</u>	<u>1,379,387</u>	<u>1,832,148</u>
Geographical markets			
North America	–	424,842	424,842
Europe	–	399,228	399,228
Mainland China, Hong Kong, Macau and Taiwan	452,761	258,573	711,334
Other Asian countries	–	218,609	218,609
Others	–	78,135	78,135
Total revenue from contracts with customers	<u>452,761</u>	<u>1,379,387</u>	<u>1,832,148</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>452,761</u>	<u>1,379,387</u>	<u>1,832,148</u>

For the year ended 30 June 2021 (restated)

Segments	Retail <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services			
Sale of goods	403,817	897,062	1,300,879
Geographical markets			
North America	–	201,648	201,648
Europe	–	231,106	231,106
Mainland China, Hong Kong, Macau and Taiwan	403,817	175,878	579,695
Other Asian countries	–	249,204	249,204
Others	–	39,226	39,226
Total revenue from contracts with customers	403,817	897,062	1,300,879
Timing of revenue recognition			
Goods transferred at a point in time	403,817	897,062	1,300,879

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

For the year ended 30 June 2022

Segments	Retail <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers			
Sales to external customers	452,761	1,379,387	1,832,148
Intersegment sales	–	207,176	207,176
Elimination of intersegment sales	–	(207,176)	(207,176)
Total revenue from contracts with customers	452,761	1,379,387	1,832,148

For the year ended 30 June 2021 (restated)

Segments	Retail <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers			
Sales to external customers	403,817	897,062	1,300,879
Intersegment sales	–	195,680	195,680
Elimination of intersegment sales	–	(195,680)	(195,680)
Total revenue from contracts with customers	403,817	897,062	1,300,879

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period		
Sale of goods	8,280	9,082

(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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Amounts expected to be recognised as revenue:		
Within one year	8,920	8,280

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue in one year relate to the sale of handbags, small leather goods, etc., of which the performance obligations 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Government grants	6,963	16,055
Exchange gain, net	15,596	–
Interest income	7,153	7,150
Net sample and material income	5,929	5,329
Others	1,953	1,858
	37,594	30,392

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (restated)
Interest on bank borrowings	2,889	3,064
Interest on lease liabilities	2,650	2,455
	<u>5,539</u>	<u>5,519</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Year ended 30 June	
	2022 HK\$'000	2021 HK\$'000 (restated)
Cost of inventories sold	<u>1,311,900</u>	<u>986,671</u>
Employee benefit expense (including Directors' and chief executive's remuneration)		
– Wages and salaries	393,769	381,563
– Equity-settled share award expense	–	2,138
– Pension scheme contributions	29,958	24,865
	<u>423,727</u>	<u>408,566</u>
Depreciation of items of property, plant and equipment	34,337	35,138
Depreciation of right-of-use assets	29,127	25,824
Fair value loss on investment properties (included in other expenses)	200	11,400
Impairment of trade receivables and other receivables, net (included in other expenses)	6,110	1,309
Impairment of acquisition of non-controlling interests, net	–	4,520
Reversal of write-down of inventories to net realizable value	(7,380)	(15,419)
Impairment of right-of-use assets (included in other expenses)	–	257
Impairment of property, plant and equipment (included in other expenses)	–	28
Loss on disposal of items of property, plant and equipment (included in other expenses)	497	1,279
Lease payments not included in the measurement of lease liabilities	7,966	9,814
Auditors' remuneration	2,200	2,000
Exchange (gain)/loss, net	<u>(15,596)</u>	<u>59,799</u>

7. 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 2022 (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Macau Complementary income Tax has not been provided for as the Group has no assessable profit arising in Macau during FY2022 (2021: nil).

Income taxes in Italy, Korea, Taiwan and Japan have not been provided for as the Group has no assessable profits arising in those jurisdictions during the year ended 30 June 2022.

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2022 (2021: 25%) of the assessable profits 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	
	2022 HK\$'000	2021 HK\$'000 (restated)
Current – Hong Kong		
Charge for the year	1,319	826
Adjustments in respect of current income tax of previous years	(362)	–
Current – Mainland China		
Charge for the year	15,691	20,010
Adjustments in respect of current income tax of previous years	11	(850)
Current – Other regions		
Charge for the year	118	249
Deferred tax	17,547	(19,024)
Total tax charge for the year from continuing operations	34,324	1,211
Total tax (credit)/charge for the year from a discontinued operation	(5,498)	17,182
Total tax charge for the year	28,826	18,393

8. DISCONTINUED OPERATION

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 of (the “Disposal”) the entire issued share capital of Viva China Premium Brands Limited (formerly known as “Sitoy AT Holding Company Limited”) and its subsidiaries (the “Target Group”). The Disposal was completed on 3 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 Target Group amounted to RMB41,137,000 (approximately HK\$50,382,000) will be repaid to the Group. As at 30 June 2022, approximately HK\$9,911,000 (before the deduction of the uncollectible cash consideration of approximately HK\$2,894,000) has not been received by the Group.

(a) The results of the Target Group for the years ended 30 June 2022 and 2021 are presented below:

	Year ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Revenue	55,477	110,463
Cost of sales	(14,608)	(31,767)
Other income and expenses, net	(72,909)	(128,568)
Finance costs	(1,750)	(3,223)
Loss from the discontinued operation	(33,790)	(53,095)
Loss on disposal of the discontinued operation ((b) note)	(2,894)	–
Reclassification to profit or loss in respect of debt investments at fair value through other comprehensive income upon disposal	1,492	–
Loss recognised on the remeasurement to fair value (i)	(9,165)	–
Loss before tax from the discontinued operation	(44,357)	(53,095)
Income tax related to pre-tax profit	5,498	(17,182)
Loss for the year from the discontinued operation	(38,859)	(70,277)

(i) The Directors had assessed the recoverable amounts of the Target Group when preparing the interim condensed consolidated financial statements and recognised the impairment loss of approximately HK\$9,165,000, which was included in the loss before tax from the discontinued operation.

	Carrying amount HK\$'000	Impairment loss HK\$'000	Fair value HK\$'000
Property, plant and equipment	12,664	(3,450)	9,214
Right-of-use assets	16,770	(4,568)	12,202
Other intangible assets	4,211	(1,147)	3,064
	33,645	(9,165)	24,480

(b) The net assets of the Target Group at the date of disposal are as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
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	23,336
Bank loan	(7,556)
Trade payables	(15,824)
Other payables and accruals	(25,643)
Tax payable	(2,711)
Lease liabilities	(29,212)
Deferred tax liabilities	(1,139)
Non-controlling interests	(6,670)
	<u>72,125</u>
Exchange fluctuation reserve	<u>670</u>
	<u>72,795</u>
Satisfied by:	
Cash	<u>72,795</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	72,795
Deferred cash consideration	(9,911)
Uncollectible cash consideration (<i>note</i>)	2,894
Cash and bank balances disposed of	(23,336)
	<u>42,442</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>42,442</u>

Note:

In April 2022, the Company had received an email notice from Ample Fame which mentioned a potential impairment of a receivable of approximately HK\$2,894,000 from a customer of the Target Group, which may overstate the guaranteed net asset value. The Directors of the Company had reassessed the recoverability of such amount and considered it uncollectible, and therefore it is expected to be deducted from the deferred cash consideration and included in loss on disposal of the discontinued operation during the year ended 30 June 2022. Other than this, the Directors of the Company did not expect any other potential material adjustment to the deferred cash consideration to be received in January 2023.

(c) The net cash flows for the period up to the date of disposal are presented below:

	1 July 2021 to date of disposal HK\$'000	Year ended 2021 HK\$'000
Operating activities	(22,486)	(73,372)
Investing activities	(9,130)	(9,662)
Financing activities	5,809	83,773
Effect of foreign exchange rate changes	473	3,020
	<u>(25,334)</u>	<u>3,759</u>

(d) Loss per share (HK cents)

	1 July 2021 to date of disposal	Year ended 2021
Basic and diluted, from the discontinued operation	<u>(4.02)</u>	<u>(7.24)</u>

The calculations of basic and diluted loss per share from the discontinued operation is based on:

	1 July 2021 to date of disposal	Year ended 2021
Loss attributable to ordinary equity holders of the parent from the discontinued operations (HK\$'000)	<u>(38,742)</u>	<u>(69,694)</u>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>962,702,000</u>	<u>962,517,163</u>

9. DIVIDENDS

	Year ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interim – 2022: HK2 cents per ordinary share (2021: HK2 cents per ordinary share)	19,309	19,309
Proposed final – 2022: HK4 cents per share (2021: nil) (i)	38,618	–
Proposed special – 2022: HK2 cents per share (2021: HK1 cent per share) (i)	19,309	9,654
	<u>77,236</u>	<u>28,963</u>

Note:

- (i) The Board proposed a final dividend of HK4 cents and a special dividend of HK2 cents per share for the year ended 30 June 2022 (2021: a special dividend of HK1 cent per share).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the years ended 30 June 2022 and 2021 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 962,702,000 (2021: 962,517,163) in issue excluding awarded shares during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the years ended 30 June 2022 and 2021 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 2022 and 2021, 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 year ended 30 June 2022, the exercise of the Company's outstanding share options was not assumed in the calculation of diluted earnings per share as the exercise price of those options was higher than the average market price of the shares of the Company.

For the year ended 30 June 2021, no adjustment has been made to the basic loss per share amounts in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Year ended 30 June	
	2022	2021
	HK\$'000	HK\$'000 (restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings/(loss) per share calculations		
From continuing operations	150,371	(80,555)
From a discontinued operation	(38,742)	(69,694)
	<u>111,629</u>	<u>(150,249)</u>

	Year ended 30 June	
	2022	2021
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	962,702,000	962,517,163
Effect of dilution – weighted average number of ordinary shares	2,728,000	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	965,430,000	962,517,163
Basic		
– For profit/(loss) for the year (HK cents)	11.60	(15.61)
– For profit/(loss) from continuing operations (HK cents)	15.62	(8.37)
Diluted		
– For profit/(loss) for the year (HK cents)	11.56	(15.61)
– For profit/(loss) from continuing operations (HK cents)	15.58	(8.37)

11. TRADE RECEIVABLES

	As at 30 June 2022 HK\$'000	As at 30 June 2021 HK\$'000
Trade receivables	389,331	233,510
Impairment	(6,457)	(3,718)
	382,874	229,792

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 sale 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 2022 HK\$'000	As at 30 June 2021 HK\$'000
Within 90 days	345,957	202,656
91 to 180 days	27,393	17,339
Over 180 days	9,524	9,797
	382,874	229,792

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

	Year ended 30 June 2022 HK\$'000	Year ended 30 June 2021 HK\$'000
At beginning of year	3,718	2,323
Impairment losses, net	3,728	1,395
Disposal of a subsidiary	(989)	–
	<hr/>	<hr/>
At end of year	6,457	3,718
	<hr/>	<hr/>

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			
		Less than 3 months	3 to 6 months	Over 6 months	
As at 30 June 2022	Current HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Expected credit loss rate	0.56%	1.41%	10.86%	27.27%	1.66%
Gross carrying amount (HK\$'000)	297,026	76,790	3,091	12,424	389,331
Expected credit loss (HK\$'000)	1,653	1,081	336	3,387	6,457
		<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2021	Current HK\$'000	Less than 3 months HK\$'000	3 to 6 months HK\$'000	Over 6 months HK\$'000	Total HK\$'000
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
		<hr/>	<hr/>	<hr/>	<hr/>

12. INTEREST-BEARING BANK BORROWINGS AND LEASE LIABILITIES

	As at 30 June 2022			As at 30 June 2021		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Lease liabilities	0.78–5.00	2022	23,866	0.78–5.00	2021	41,623
Bank loans – secured	1.000-2.7410	On demand	62,544	1.000-2.400	On demand	126,599
			86,410			168,222
Non-current						
Lease liabilities	0.78–5.00	2023-2026	22,186	0.78–5.00	2022-2026	42,563

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.

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 2022		As at 30 June 2021	
	Maturity	HK\$'000	Maturity	HK\$'000
Bank borrowings – secured	2022-2023	62,544	2021-2022	126,599
		62,544		126,599
Analysed into:				
Bank borrowings repayable:				
Within one year or on demand		62,544		126,599
		62,544		126,599

13. TRADE AND BILLS PAYABLES

An aging 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 30 June 2022 HK\$'000	As at 30 June 2021 HK\$'000
Within 90 days	208,080	199,380
91 to 180 days	13,856	7,747
181 to 365 days	2,739	1,534
Over 365 days	581	1,593
	225,256	210,254

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.

14. EVENT AFTER THE REPORTING PERIOD

Assessment of the effect of the Novel Coronavirus disease outbreak

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole country. The epidemic has impacted 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 COVID-19 outbreak and implementation of various policies.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail business (continuing operations)

Revenue generated from this segment increased by approximately 12.1% year-on-year to approximately HK\$452.8 million for the year ended 30 June 2022 (“FY2022”) and recorded segment profit before tax of approximately HK\$32.5 million when compared to previous year which recorded a loss before tax of approximately HK\$8.3 million. It was mainly benefiting from the livestream sales especially in both Hong Kong and the PRC markets.

In order to capture the growing demand in the retail business, 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 operated three brands as at 30 June 2022. 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, Hong Kong, Macau and Taiwan.

On the digital front, the Group continued to strengthen the development of its e-commerce platforms with most of its brands already available on Tmall and JD.com or their own brand websites and also our livestream channels. We have also co-operated with different key opinion leaders on Facebook and Tiktok. It is expected that e-commerce platforms will become more and more popular globally.

Manufacturing business

During FY2022, the Group’s purchase orders received from its external customers have increased by approximately 53.8% when compared to the previous year. Due to the implementation of various COVID-19 policies in America and other European and Asian countries and areas, brand customers were confident when placing orders and the volume of each order was much higher than before. The manufacturing business has generated segment revenue from external customers of approximately HK\$1,379.4 million with segment profit before tax of approximately HK\$150.3 million when compared to previous year of segment loss before tax of HK\$52.1 million.

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

- (1) **Market and Product Diversifications:** more than five 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. Our facilities produce handbags, small leather goods and traveling goods, which fulfills various needs of our customers;
- (2) **Maintaining Our Core Competitiveness:** with the lead by a capable and experienced management team, we are not only able to provide higher level of craftsmanship and reliable supply chain management, but also 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.

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 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, 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\$13.7 million with segment result of profit before tax of approximately HK\$6.9 million during FY2022 as a result of net fair value loss on the investment properties of approximately HK\$0.2 million.

PRODUCT RESEARCH, DEVELOPMENT AND DESIGN

The internal 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 our customers. In the future, the Group shall continue to source high quality raw materials at competitive prices, enhance the production machines, tools and systems and continue to optimise and streamline production procedures, ensure and stabilise the product qualities and reduce the reliance on labours 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 pulse and challenges to the Group. The global business environment will become very challenging, impacting various businesses and industries, especially our manufacturing and retail businesses. However, along with the increasing injection rate of COVID-19 vaccines globally and implementations of various COVID-19 polices by different countries or areas, we are optimistic about the business performance of the Group in the coming financial years.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 40.4% to approximately HK\$1,845.9 million for FY2022 from approximately HK\$1,314.4 million for the year ended 30 June 2021 ("FY2021"). This increase was primarily due to more manufacturing orders received from customers in FY2022.

Cost of sales

Cost of sales of the Group increased by approximately 33.0% to approximately HK\$1,311.9 million for FY2022 from approximately HK\$986.7 million for FY2021. The increase in cost of sales was in line of increase in revenue.

Gross profit and gross profit margin

Gross profit increased by approximately 62.9% to approximately HK\$534.0 million for FY2022 from approximately HK\$327.7 million for FY2021. The gross profit margin increased to approximately 28.9% for FY2022 from approximately 24.9% for FY2021. It was mainly benefiting from the tight production cost control policies implemented in the past few years and enhanced production efficiency, as well as the depreciation of Renminbi against United States dollar, which improved the gross profit margin to a certain extent.

Other income and gains

Other income and gains increased by approximately 23.7% to approximately HK\$37.6 million for FY2022 from approximately HK\$30.4 million for FY2021. It was mainly due to the depreciation of Renminbi against United States dollar, which recorded exchange gain of approximately HK\$15.6 million, while exchange loss was recorded for FY2021 and included in other expenses.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 9.2% to approximately HK\$157.2 million for FY2022 from approximately HK\$144.0 million for FY2021. The increase was primarily attributable to the launch of certain marketing activities of the retail business.

Administrative expenses

Administrative expenses slightly increased by approximately 3.1% to approximately HK\$216.5 million for FY2022 from approximately HK\$210.0 million for FY2021.

Other expenses

Other expenses decreased by approximately 98.2% to approximately HK\$1.5 million for FY2022 from approximately HK\$79.5 million for FY2021. The decrease was mainly due to the net exchange loss of approximately HK\$59.8 million incurred in FY2021 while net exchange gain in FY2022 was recorded in other income and gains.

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 2022 and 2021 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 FY2022 (2021: nil).

Income taxes in Italy, Korea, Taiwan and Japan have not been provided for as the Group has no assessable profits arising in those jurisdictions during the year ended 30 June 2022.

The PRC corporate income tax was based on a statutory rate of 25% (2021: 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.

Profit/(loss) for the year

The Group recorded net profit for the year of approximately HK\$111.5 million for FY2022 (profit from continuing operations of approximately HK\$150.4 million and loss from discontinued operation of approximately HK\$38.9 million) when compared to the loss for the year in 2021 of approximately HK\$153.7 million (loss from continuing operations of approximately HK\$83.4 million and loss from discontinued operation of approximately HK\$70.3 million). The turnaround is mainly due to 1) various 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 and reduced the fear of COVID-19, benefiting both our manufacturing and retail businesses; and 2) the stabilised Hong Kong commercial property market and lower fair value loss recorded in the property investment business.

Discontinued operation

With the disposal of the entire issued share capital of Viva China Premium Brands Limited (formerly known as “Sitoy AT Holdings Company Limited”) and its subsidiaries (the “**Target Group**”), as per accounting treatment, the Group has reclassified the Target Group as discontinued operation.

During the period from 1 July 2021 to date of disposal, the Target Group incurred loss of approximately HK\$38.9 million, as compared to the loss of approximately HK\$70.3 million for FY2021 and included in non-operating items.

Details of the disposal has been set out in the note 8 in this announcement.

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 30 June 2022 and 30 June 2021 respectively are as follows:

As at 30 June 2022 and 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\$560.0 million, subject to adjustments. Harbour Century Limited wholly owns Worldmax Enterprises Limited, which in turn owns a 20-storey office building located in East Kowloon 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 head office, 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 as investment properties held by the Group. 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 as investment property held by the Group. 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.

Cash and cash equivalents

Cash and cash equivalents decreased by approximately 34.1% to approximately HK\$314.8 million as at 30 June 2022. The decrease was mainly due to 1) settlement of interest-bearing bank borrowings; and 2) payment to suppliers in order to support the growing businesses which was reflected in the increase in trade receivables of approximately 66.6%.

Capital expenditure

For FY2022, capital expenditure of the Group amounted to approximately HK\$12.0 million, primarily due to the upgrade of existing manufacturing facilities, as well as the expansion of retail business.

Significant investments

The Group had no significant investments held during FY2022.

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 agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Group at a 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 Target Group amounting to RMB41,137,000 (approximately HK\$50,382,000) will be repaid to the Group. The transaction was completed in January 2022. As at 30 June 2022, approximately HK\$9,911,000 (before the deduction of uncollectible cash consideration of approximately HK\$2,894,000) has not been received by the Group and such amount is expected to be received in January 2023 according to the agreement.

For further details, please refer to the announcements of the Company dated 3 November 2021 and 5 November 2021, and the section headed “Discontinued operation” and note 8 in this announcement.

Other than disclosed above, the Group had no other material acquisitions or disposals of subsidiaries, associates or joint ventures during FY2022.

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 2022 amounted to approximately HK\$314.8 million (2021: HK\$477.8 million), which are mainly denominated in Hong Kong dollars, Renminbi, Euro and US dollars. Based on the Group's steady cash inflow from operations coupled with sufficient cash and bank balances and readily available banking facilities, the Group has sufficient financial resources and a strong cash position to satisfy working capital requirements for business development, operations and capital expenditure. New investment opportunities, if any, would be funded by the Group's internal resources. The Group's gearing ratio is approximately 6.1% as at 30 June 2022 (2021: 3.5%), 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 bills payables and other payables and accruals, less cash and cash equivalents.

Foreign exchange risk

The Group had transactional currency exposures for FY2022. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During FY2022, 74.1% (2021: 61.9%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 83.3% (2021: 78.2%) of the costs were denominated in the units' functional currency.

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro and Renminbi. The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro and Renminbi against Hong Kong dollars.

It is the Group's consistent policy to centralize foreign exchange management to monitor total foreign currency exposure, to net off affiliate positions, and, if necessary, to consolidate hedging transactions with banks. In addition, various bank facilities have been arranged in these currencies, to meet our daily operating expenses and capital investment requirements. Hence, in our operating business model, the Group's revenue is mostly matched to the currencies of the outlay. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange forward contracts.

As at 30 June 2022 and 2021, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2022, approximately HK\$46.9 million of time deposits were pledged as security for banking facilities available to the Group (2021: HK\$25.2 million).

Inventory turnover days

Inventory turnover days decreased to 97 days for FY2022 from 144 days for FY2021. The decrease in inventory turnover days was due to the increase in cost of sales.

Trade receivables turnover days

Trade receivables turnover days decreased to 62 days for FY2022 from 64 days for FY2021. The Group did not experience any significant credit risks due to strict credit control policies.

Trade and bills payables turnover days

Trade and bills payables turnover days decreased to 78 days for FY2022 from 86 days for FY2021. 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 2022, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2022, the Group had about 4,500 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 DIVIDENDS

An interim dividend of HK2 cents per share was paid on 29 April 2022. The Directors propose the payment of a final dividend of HK4 cents per share and a special dividend of HK2 cents per share for FY2022 (30 June 2021: a special dividend of HK2 cents per share) to the shareholders whose names appear on the register of members of the Company on Monday, 28 November 2022). The proposed dividends, subject to approval by the shareholders at the annual general meeting to be held on Monday, 21 November 2022 (the “**2022 AGM**”), will be paid on or before Thursday, 22 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 November 2022 to Monday, 21 November 2022 (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 2022 AGM will be Monday, 21 November 2022. In order to be eligible to attend and vote at the 2022 AGM, 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 Friday, 11 November 2022.

The register of members of the Company will be closed on Tuesday, 29 November 2022 and Wednesday, 30 November 2022, during which period no share transfer will be registered. In order to qualify for the proposed dividends, 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 Monday, 28 November 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**”) as set out in Appendix 10 to the Listing Rules as its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made of all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for FY2022.

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 FY2022.

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 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 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 FY2022.

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 FY2022.

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 FY2022, 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 (www.hkexnews.hk). The Company's annual report for FY2022 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, 26 September 2022

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