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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

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 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
			(restated)
CONTINUING OPERATIONS			
REVENUE	*4*	**1,827,792**	1,845,875
Cost of sales		**(1,222,076)**	(1,311,900)
Gross profit		**605,716**	533,975
Other income and gains	*4*	**57,835**	37,594
Selling and distribution expenses		**(182,305)**	(157,243)
Administrative expenses		**(206,420)**	(216,526)
Other expenses		**(13,016)**	(1,456)
Impairment losses on financial assets, net		**(97)**	(6,110)
Finance costs	*5*	**(3,058)**	(5,539)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**258,655**	184,695
Income tax expense	*7*	**(55,859)**	(34,306)

	Notes	Year ended 30 June **2023** ***HK$'000***	2022 *HK$'000* (restated)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**202,796**	150,389
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*8*	**–**	(38,859)
PROFIT FOR THE YEAR		**202,796**	111,530
Attributable to:			
Owners of the Company		**202,796**	111,647
Non-controlling interests		**–**	(117)
		202,796	111,530
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
– For profit for the year (HK cents)		**21.05**	11.60
– For profit from continuing operations (HK cents)		**21.05**	15.62
Diluted			
– For profit for the year (HK cents)		**21.05**	11.56
– For profit from continuing operations (HK cents)		**21.05**	15.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
		(restated)
PROFIT FOR THE YEAR	**202,796**	111,530
OTHER COMPREHENSIVE LOSS		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(95,253)**	(57,668)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(95,253)**	(57,668)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(95,253)**	(57,668)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**107,543**	53,862
Attributable to:		
Owners of the Company	**107,543**	53,979
Non-controlling interests	**–**	(117)
	107,543	53,862

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 HK$'000	As at 30 June 2022 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**281,499**	319,796
Investment properties		**692,456**	699,756
Right-of-use assets		**59,227**	58,773
Other intangible assets		**2,424**	2,424
Deferred tax assets		**15,315**	20,950
Other non-current assets		**163**	554
Total non-current assets		**1,051,084**	1,102,253
CURRENT ASSETS			
Inventories		**214,441**	286,719
Trade receivables	*11*	**381,831**	382,874
Prepayments, other receivables and other assets		**62,735**	82,694
Pledged deposits		**24,793**	46,858
Cash and cash equivalents		**403,855**	314,783
Total current assets		**1,087,655**	1,113,928
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*12*	**–**	62,544
Trade and bills payables	*13*	**161,661**	225,256
Other payables and accruals		**91,557**	96,282
Lease liabilities	*12*	**23,453**	23,866
Tax payable		**51,992**	11,338
Total current liabilities		**328,663**	419,286
NET CURRENT ASSETS		**758,992**	694,642
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,810,076**	1,796,895
NON-CURRENT LIABILITIES			
Lease liabilities	*12*	**24,057**	22,186
Deferred tax liabilities		**5,160**	7,135
Deferred income		**1,111**	1,923
Total non-current liabilities		**30,328**	31,244
Net assets		**1,779,748**	1,765,651
EQUITY			
Share capital		**96,543**	96,543
Treasury shares		**–**	(6,375)
Reserves		**1,683,205**	1,675,483
Equity attributable to owners of the Company		**1,779,748**	1,765,651
Non-controlling interests		**–**	–
Total equity		**1,779,748**	1,765,651

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 Dr. 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 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 Group for the year ended 30 June 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	*Reference to the Conceptual Framework*
Amendment to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020 sets out amendments* to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

(e) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the consolidated statement of financial position:

		As at 30 June 2023	Increase As at 30 June 2022	As at 1 July 2021
		HK$'000	*HK$'000*	*HK$'000*
Assets				
Deferred tax assets	*(i)*	**142**	115	97
Total non-current assets		**142**	115	97
Total assets		**142**	115	97
Net assets		**142**	115	97
Equity				
Retained profits		**142**	115	97
Total equity		**142**	115	97

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the consolidated statement of profit or loss:

	Increase Year ended 30 June 2023	2022
	HK$'000	*HK$'000*
Income tax credit	**27**	18
Profit for the year	**27**	18
Attributable to:		
Owners of the Company	**27**	18
Total comprehensive income for the year	**27**	18
Attributable to:		
Owners of the Company	**27**	18

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 retail and wholesale of handbags, small leather goods, travel goods and footwear products for the brands owned or licensed by the Group, designs handbags 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.

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 2023			
	Retail	**Manufacturing**	**Property investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue *(note 4)*:				
Sales to external customers	**471,800**	**1,342,488**	**13,504**	**1,827,792**
Intersegment sales	**–**	**165,856**	**3,072**	**168,928**
	471,800	**1,508,344**	**16,576**	**1,996,720**
Reconciliation:				
Elimination of intersegment sales				**(168,928)**
Revenue from continuing operations				**1,827,792**
Segment results	**29,398**	**233,235**	**523**	**263,156**
Reconciliation:				
Corporate and other unallocated expenses				**(4,501)**
Profit before tax				**258,655**
Segment assets	**438,017**	**2,137,055**	**766,605**	**3,341,677**
Reconciliation:				
Elimination of intersegment receivables				**(1,329,506)**
Corporate and other unallocated assets				**126,568**
Total assets				**2,138,739**
Segment liabilities	**756,815**	**311,691**	**619,585**	**1,688,091**
Reconciliation:				
Elimination of intersegment payables				**(1,329,506)**
Corporate and other unallocated liabilities				**406**
Total liabilities				**358,991**
Other segment information:				
Depreciation of items of property, plant and equipment	**5,816**	**24,155**	**–**	**29,971**
Unallocated depreciation of items of property, plant and equipment				**2,529**
				32,500
Depreciation of right-of-use assets	**22,928**	**6,755**	**–**	**29,683**
Reversal of write-down of inventories to net realisable value	**(11,980)**	**(2,582)**	**–**	**(14,562)**
Operating lease rentals	**14,552**	**117**	**–**	**14,669**
Capital expenditure*	**9,461**	**5,204**	**–**	**14,665**

	Year ended 30 June 2022			
	Retail	Manufacturing	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue ***(note 4)*****:**				
Sales to external customers	452,761	1,379,387	13,727	1,845,875
Intersegment sales	–	207,176	3,072	210,248
	452,761	1,586,563	16,799	2,056,123
Reconciliation:				
Elimination of intersegment sales				(210,248)
Revenue from continuing operations				1,845,875
Segment results	32,490	150,328	6,881	189,699
Reconciliation:				
Corporate and other unallocated expenses				(5,004)
Profit before tax				184,695
Segment assets (restated)	359,161	2,157,302	762,144	3,278,607
Reconciliation:				
Elimination of intersegment receivables				(1,191,311)
Corporate and other unallocated assets				128,885
Total assets (restated)				2,216,181
Segment liabilities	673,081	347,740	620,344	1,641,165
Reconciliation:				
Elimination of intersegment payables				(1,191,311)
Corporate and other unallocated liabilities				676
Total liabilities				450,530
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
				34,337
Depreciation of right-of-use assets	21,418	7,709	–	29,127
Write-down/(reversal of write-down of) inventories to net realisable value	552	(7,932)	–	(7,380)
Operating lease rentals	6,683	1,283	–	7,966
Capital expenditure*	5,657	6,324	–	11,981

* 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	
	2023	2022
	HK$'000	*HK$'000*
Revenue		
Mainland China, Hong Kong, Macau and Taiwan	**746,006**	725,061
North America	**375,551**	424,842
Europe	**316,750**	399,228
Other Asian countries	**350,492**	218,609
Other countries/regions	**38,993**	78,135
	1,827,792	1,845,875

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

(b) Non-current assets

	As at 30 June 2023	As at 30 June 2022
	HK$'000	*HK$'000*
Mainland China, Hong Kong, Macau and Taiwan	**1,035,769**	1,081,303

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 2023, revenue derived from sales by the manufacturing segment to a major customer amounting to approximately HK$334,018,000 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 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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 30 June 2023 HK$'000	2022 HK$'000
Revenue from contracts with customers		
Sale of goods	**1,814,288**	1,832,148
Revenue from other sources		
Gross rental income	**13,504**	13,727
	1,827,792	1,845,875

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the year ended 30 June 2023

Segments	**Retail** *HK$'000*	**Manufacturing** *HK$'000*	**Total** *HK$'000*
Type of goods or services			
Sale of goods	**471,800**	**1,342,488**	**1,814,288**
Geographical markets			
North America	**–**	**375,551**	**375,551**
Europe	**–**	**316,750**	**316,750**
Mainland China, Hong Kong, Macau and Taiwan	**471,800**	**260,702**	**732,502**
Other Asian countries	**–**	**350,492**	**350,492**
Others	**–**	**38,993**	**38,993**
Total revenue from contracts with customers	**471,800**	**1,342,488**	**1,814,288**
Timing of revenue recognition			
Goods transferred at a point in time	**471,800**	**1,342,488**	**1,814,288**

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	452,761	1,379,387	1,832,148
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	452,761	1,379,387	1,832,148
Timing of revenue recognition			
Goods transferred at a point in time	452,761	1,379,387	1,832,148

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 2023

Segments	**Retail** ***HK$'000***	**Manufacturing** ***HK$'000***	**Total** ***HK$'000***
Revenue from contracts with customers			
Sales to external customers	**471,800**	**1,342,488**	**1,814,288**
Intersegment sales	**–**	**165,856**	**165,856**
	471,800	**1,508,344**	**1,980,144**
Elimination of intersegment sales	**–**	**(165,856)**	**(165,856)**
Total revenue from contracts with customers	**471,800**	**1,342,488**	**1,814,288**

For the year ended 30 June 2022

Segments	Retail *HK$'000*	Manufacturing *HK$'000*	Total *HK$'000*
Revenue from contracts with customers			
Sales to external customers	452,761	1,379,387	1,832,148
Intersegment sales	–	207,176	207,176
	452,761	1,586,563	2,039,324
Elimination of intersegment sales	–	(207,176)	(207,176)
Total revenue from contracts with customers	452,761	1,379,387	1,832,148

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	
	2023	2022
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period		
Sale of goods	**8,920**	8,280

(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	
	2023	2022
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**7,976**	8,920

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.. 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	
	2023	2022
	HK$'000	*HK$'000*
Exchange gain, net	**40,402**	15,596
Interest income	**7,856**	7,153
Government grants	**5,009**	6,963
Net sample and material income	**2,548**	5,929
Others	**2,020**	1,953
	57,835	37,594

5. FINANCE COSTS

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

	Year ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**541**	2,889
Interest on lease liabilities	**2,517**	2,650
	3,058	5,539

6. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**1,222,076**	1,311,900
Employee benefit expense (including Directors' and chief executive's remuneration)		
– Wages and salaries	**391,968**	393,769
– Equity-settled share award expense	**2,824**	–
– Pension scheme contributions	**28,267**	29,958
	423,059	423,727
Depreciation of items of property, plant and equipment	**32,500**	34,337
Depreciation of right-of-use assets	**29,683**	29,127
Fair value loss on investment properties (included in other expenses)	**7,300**	200
Impairment of trade receivables and other receivables, net	**97**	6,110
Reversal of write-down of inventories to net realisable value	**(14,562)**	(7,380)
Loss on disposal of items of property, plant and equipment (included in other expenses)	**4,573**	497
Lease payments not included in the measurement of lease liabilities	**14,669**	7,966
Auditors' remuneration	**2,350**	2,200
Exchange gain, net	**(40,402)**	(15,596)

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 2023 (2022: 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 the year ended 30 June 2023 (2022: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2023 (2022: 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	
	2023	2022
	HK$'000	*HK$'000*
		(restated)
Current – Hong Kong		
Charge for the year	**39,006**	1,319
Adjustments in respect of current income tax of previous years	**321**	(362)
Current – Mainland China		
Charge for the year	**14,126**	15,691
Adjustments in respect of current income tax of previous years	**(142)**	11
Current – Other regions		
Charge for the year	**–**	118
Deferred tax	**2,548**	17,529
Total tax charge for the year from continuing operations	**55,859**	34,306
Total tax credit for the year from a discontinued operation	**–**	(5,498)
Total tax charge for the year	**55,859**	28,808

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) had been repaid to the Group from the Target Group. As at 30 June 2023, all payments had been received by the Group.

(a) The results of the Target Group for the period up to the date of disposal are presented below:

	1 July 2021 to date of disposal *HK$'000*
Revenue	55,477
Cost of sales	(14,608)
Other income and expenses, net	(72,909)
Finance costs	(1,750)
Loss from the discontinued operation	(33,790)
Loss on disposal of the discontinued operation	(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)
Income tax related to pre-tax profit	5,498
Loss for the year from the discontinued operation	(38,859)

(i) The Directors had assessed the recoverable amounts of the Target Group when preparing the 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 cash flows for the period up to the date of disposal are presented below:

	1 July 2021 to date of disposal *HK$'000*
Operating activities	(22,486)
Investing activities	(9,130)
Financing activities	5,809
Effect of foreign exchange rate changes	473
Net cash outflow	(25,334)

(c) **Loss per share (HK cents)**

	1 July 2021 to date of disposal
Basic and diluted, from the discontinued operation	(4.02)

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

	1 July 2021 to date of disposal
Loss attributable to ordinary equity holders of the parent from the discontinued operation (HK$'000)	(38,742)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	962,702,000

9. DIVIDENDS

	Year ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Interim – 2023: HK4 cents per ordinary share (2022: HK2 cents per ordinary share)	**38,618**	19,309
Proposed final – 2023: HK7 cents per share (2022: HK4 cents per share) *(i)*	**67,580**	38,618
Proposed special – 2023: nil (2022: HK2 cents per share) *(i)*	**–**	19,309
	106,198	77,236

Note:

(i) The Board proposed a final dividend of HK7 cents per share for the year ended 30 June 2023 (2022: a final dividend of HK4 cents and a special dividend of HK2 cents per share).

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

The calculation of the basic earnings per share amounts is based on the profit for the years ended 30 June 2023 and 2022 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 963,539,000 (2022: 962,702,000) in issue excluding awarded shares during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the years ended 30 June 2023 and 2022 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 2023 and 2022, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 30 June 2023 and 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.

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

	Year ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
		(restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculations		
From continuing operations	**202,796**	150,389
From a discontinued operation	**–**	(38,742)
	202,796	111,647

	Year ended 30 June	
	2023	2022 (restated)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**963,539,000**	962,702,000
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 per share calculation	**963,539,000**	965,430,000
Basic		
– For profit for the year (HK cents)	**21.05**	11.60
– For profit from continuing operations (HK cents)	**21.05**	15.62
Diluted		
– For profit for the year (HK cents)	**21.05**	11.56
– For profit from continuing operations (HK cents)	**21.05**	15.58

11. TRADE RECEIVABLES

	As at 30 June 2023 *HK$'000*	As at 30 June 2022 *HK$'000*
Trade receivables	**386,807**	389,331
Impairment	**(4,976)**	(6,457)
	381,831	382,874

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 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 30 June 2023 *HK$'000*	As at 30 June 2022 *HK$'000*
Within 90 days	**355,807**	345,957
91 to 180 days	**22,433**	27,393
Over 180 days	**3,591**	9,524
	381,831	382,874

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

	Year ended 30 June 2023	Year ended 30 June 2022
	HK$'000	*HK$'000*
At beginning of year	**6,457**	3,718
Impairment losses, net	**98**	3,801
Written off	**(1,299)**	–
Disposal of a subsidiary	**–**	(989)
Exchange realignment	**(280)**	(73)
At end of year	**4,976**	6,457

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

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

		Past due			
As at 30 June 2023	**Current**	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Expected credit loss rate	**0.54%**	**1.47%**	**12.86%**	**29.46%**	**1.29%**
Gross carrying amount *(HK$'000)*	**333,859**	**44,264**	**280**	**8,404**	**386,807**
Expected credit loss *(HK$'000)*	**1,813**	**651**	**36**	**2,476**	**4,976**

		Past due			
As at 30 June 2022	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
	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

12. INTEREST-BEARING BANK BORROWINGS AND LEASE LIABILITIES

	As at 30 June 2023			As at 30 June 2022		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Lease liabilities	**4.35-5.00**	**2023**	**23,453**	0.78-5.00	2022	23,866
Bank loans – secured			**–**	1.000-2.7410	On demand	62,544
			23,453			86,410
Non-current						
Lease liabilities	**4.35-5.00**	**2024-2030**	**24,057**	0.78-5.00	2023-2026	22,186

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

13. 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 30 June 2023 ***HK$'000***	As at 30 June 2022 *HK$'000*
Within 90 days	**149,821**	208,080
91 to 180 days	**11,043**	13,856
181 to 365 days	**291**	2,739
Over 365 days	**506**	581
	161,661	225,256

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Retail business (continuing operations)

Revenue generated from this segment increased by approximately 4.2% year-on-year to approximately HK$471.8 million for the year ended 30 June 2023 ("**FY2023**") and recorded segment profit before tax of approximately HK$29.4 million when compared to previous year of approximately HK$32.5 million. It was mainly because more discounts were offered to capture sales.

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 operated three brands as at 30 June 2023. 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 and Macau.

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 FY2023, the Group's purchase orders received from its external customers have slightly decreased by approximately 2.7% when compared to the previous year. The manufacturing business has generated segment revenue from external customers of approximately HK$1,342.5 million with segment profit before tax of approximately HK$233.2 million when compared to previous year of HK$150.3 million. It was mainly due to the depreciation of Renminbi against United States dollar.

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 fulfill 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. Our overseas plant in Indonesia is expected to contribute extra revenue in the financial year 2024/2025, which will offer alternatives to our new customers, especially those brand customers from North America.

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. 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 premises located at 4-5th Floors, 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$13.5 million with segment result of profit before tax of approximately HK$0.5 million during FY2023 as a result of net fair value loss on the investment properties of approximately HK$7.3 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.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased slightly by approximately 1.0% to approximately HK$1,827.8 million for FY2023 from approximately HK$1,845.9 million for the year ended 30 June 2022 ("**FY2022**").

Cost of sales

Cost of sales of the Group decreased by approximately 6.8% to approximately HK$1,222.1 million for FY2023 from approximately HK$1,311.9 million for FY2022. The decrease in cost of sales was mainly due to the depreciation of Renminbi against United States dollar.

Gross profit and gross profit margin

Gross profit increased by approximately 13.4% to approximately HK$605.7 million for FY2023 from approximately HK$534.0 million for FY2022. The gross profit margin increased to approximately 33.1% for FY2023 from approximately 28.9% for FY2022. It was mainly benefiting from the tight production cost control policies implemented in the past few years and 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 53.8% to approximately HK$57.8 million for FY2023 from approximately HK$37.6 million for FY2022. It was mainly due to the depreciation of Renminbi against United States dollar, which recorded exchange gain of approximately HK$40.4 million (FY2022: HK$15.6 million).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 15.9% to approximately HK$182.3 million for FY2023 from approximately HK$157.2 million for FY2022. The increase was primarily attributable to the launch of certain marketing activities of the retail business.

Administrative expenses

Administrative expenses slightly decreased by approximately 4.7% to approximately HK$206.4 million for FY2023 from approximately HK$216.5 million for FY2022.

Other expenses

Other expenses increased to approximately HK$13.0 million for FY2023 from approximately HK$1.5 million for FY2022. The increase was mainly due to higher fair value loss of approximately HK$7.3 million in respect of the investment properties was recognized (FY2022: HK$0.2 million).

Income tax expense

Under the current laws of the Cayman Islands and the British Virgin Islands, the Group is not subject to tax on its income or capital gains in the Cayman Islands and the British Virgin Islands. In addition, any payments of dividends are not subject to withholding tax in the Cayman Islands or the British Virgin Islands.

Hong Kong profits tax as applicable to the Group was 16.5% for the years ended 30 June 2023 and 2022 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 FY2023 (2022: nil).

The PRC corporate income tax was based on a statutory rate of 25% (FY2022: 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 for the year

The Group recorded net profit for the year of approximately HK$202.8 million for FY2023 when compared to the profit for the year in 2022 of approximately HK$111.5 million (profit from continuing operations of approximately HK$150.4 million and loss from discontinued operation of approximately HK$38.9 million). The significant improvement is mainly due to 1) an increase in the Group's profit margin from manufacturing business due to the depreciation of Renminbi against United States Dollar; and 2) the completion of the disposal of a loss-making 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 2022 to the date of disposal, the Target Group incurred loss of approximately HK$38.9 million for FY2022 which was included in non-operating items.

Details of the disposal has been set out in the note 8 to consolidated financial statements in this announcement.

Investment properties

Details of investment properties of the Group with carrying amounts of approximately HK$692.5 million and HK$699.8 million as at 30 June 2023 and 30 June 2022 respectively are as follows:

As at 30 June 2023 and 2022

Property	Address	Use	Lease term
Ground to 6th and 11th to 20th Floors, 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 Floors, 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

Sitoy Tower is a trendy office tower with a total gross floor area of approximately 70,000 square feet. 7th to 10th Floors are for the Group's own use as the Group's head office, showrooms for merchandise display and market week, whilst the remaining floors of Sitoy Tower are leased out for rental income.

During the year ended 30 June 2017, the Company's offices located at 4th to 5th Floors, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (with a gross floor area of approximately 9,710 square feet) ceased for the Group's own use and were leased out for rental purpose.

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 (with a gross floor area of approximately 2,060 square feet) ceased for the Group's own use and was leased out for rental income.

Cash and cash equivalents

Cash and cash equivalents increased by approximately 28.3% to approximately HK$403.9 million as at 30 June 2023. The increase was mainly due to increase in net cash flow generated from operating activities.

Capital expenditure

For FY2023, capital expenditure of the Group amounted to approximately HK$14.7 million, primarily due to the expansion of retail business.

Significant investments

The Group had no significant investments held during FY2023.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no other material acquisitions or disposals of subsidiaries, associates or joint ventures during FY2023.

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 2023 amounted to approximately HK$403.9 million (FY2022: HK$314.8 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 had no outstanding bank and other borrowings as at 30 June 2023 and hence no gearing ratio was presented (FY2022: 6.1%). The gearing ratio represents 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 FY2023. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During FY2023, 72.9% (FY2022: 74.1%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 89.0% (FY2022: 83.3%) 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 2023 and 2022, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2023, approximately HK$24.8 million of time deposits were pledged as security for banking facilities available to the Group (FY2022: HK$46.9 million).

Inventory turnover days

Inventory turnover days decreased to 80 days for FY2023 from 97 days for FY2022.

Trade receivables turnover days

Trade receivables turnover days increased to 77 days for FY2023 from 62 days for FY2022. 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 75 days for FY2023 from 78 days for FY2022. 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 2023, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2023, 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 HK4 cents per share was paid on 28 April 2023. The Directors proposed the payment of a final dividend of HK7 cents per share for FY2023 (30 June 2022: a final dividend of HK4 cents per share and a special dividend of HK2 cents per share) to the shareholders whose names appear on the register of members of the Company on Wednesday, 29 November 2023. The proposed dividends, subject to approval by the shareholders at the annual general meeting to be held on Monday, 20 November 2023 (the "**2023 AGM**"), will be paid on or before Thursday, 21 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 November 2023 to Monday, 20 November 2023 (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 2023 AGM will be Monday, 20 November 2023. In order to be eligible to attend and vote at the 2023 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, 10 November 2023.

The register of members of the Company will be closed on Tuesday, 28 November 2023 and Wednesday, 29 November 2023, during which period no share transfer will be registered. The record date for determining shareholders of the Company entitled to receive the proposed dividends will be Wednesday, 29 November 2023. 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, 27 November 2023.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 FY2023.

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 FY2023.

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 FY2023, except for the following deviation from provision B.2.4(b) of the CG Code which is explained below:

Pursuant to code provision B.2.4(b) of the CG Code as set out in Appendix 14 of the Listing Rules, the Company should appoint a new independent non-executive Director, if all independent non-executive Directors on Board are long serving independent non-executive Directors for more than 9 years for the financial year commencing on or after 1 January 2023.

As Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk have served as independent non-executive directors of the Company for more than 9 years, the Company is in the process of identifying suitable candidates and to recruit one or more independent non-executive Director(s) to meet the requirement under code provision B.2.4(b) by 31 December 2023.

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 report of the Group for FY2023.

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 FY2023, 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 FY2023 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, 25 September 2023

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.