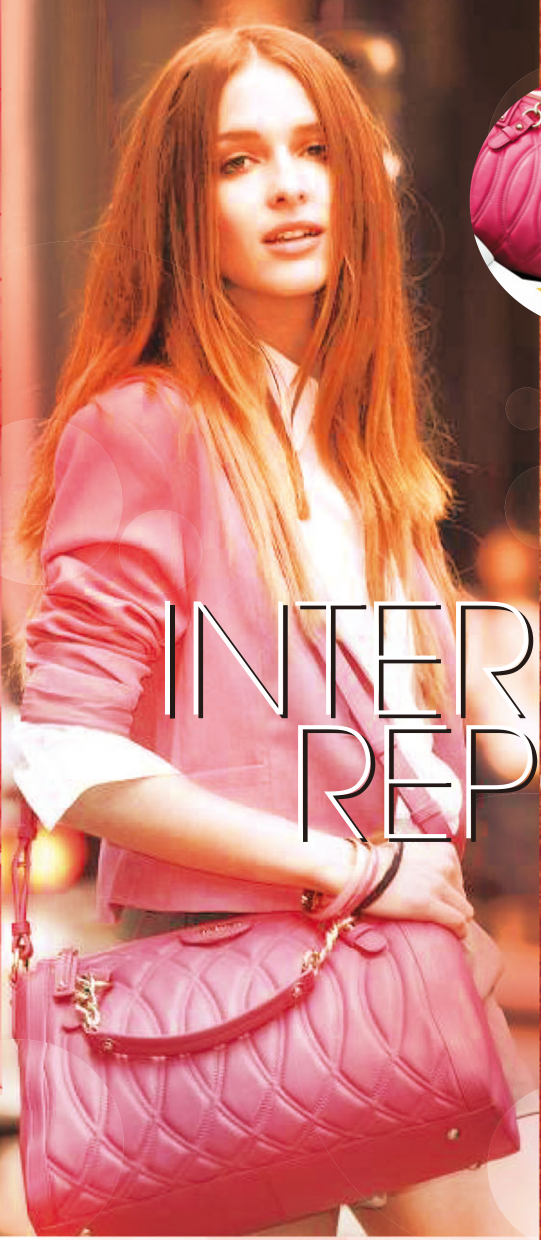

INTERIM REPORT 2012

時代集團控股有限公司
SITOY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1023

Contents

Corporate Information	2–3
Overview	4–5
Management Discussion and Analysis	6–19
Corporate Governance and Other Information	20–23
Independent Auditors' Report	24–25
Consolidated Income Statement	26
Consolidated Statement of Comprehensive Income	27
Consolidated Statement of Financial Position	28–29
Consolidated Statement of Changes in Equity	30–31
Consolidated Statement of Cash Flows	32–33
Statement of Financial Position	34
Notes to Financial Statements	35–120

Corporate Information

Board of Directors

Executive Directors

Mr. Yeung Michael Wah Keung *(Chairman)*
Mr. Yeung Wo Fai *(Chief Executive Officer)*
Mr. Yu Chun Kau
Mr. Chan Ka Dig Adam
Mr. Yeung Andrew Kin

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Kwan Po Chuen, Vincent
Mr. Lung Hung Cheuk

Authorized Representatives

Mr. Yeung Wo Fai
Mr. Yu Chun Kau

Company Secretary

Mr. Yu Chun Kau

Registered Office

Scotia Centre, 4th Floor
P.O. Box 2804, George Town
Grand Cayman KY1-1112
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

4–5th Floor, The Genplas Building
56 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Principal Place of Business in the People's Republic of China

The Third Industrial District
Qiaotou Village, Houjie Town
Dongguan, Guangdong Province
The People's Republic of China

Board Committees

Audit Committee Members

Mr. Yeung Chi Tat *(Chairman)*
Mr. Kwan Po Chuen, Vincent
Mr. Lung Hung Cheuk

Remuneration Committee Members

Mr. Yeung Michael Wah Keung *(Chairman)*
Mr. Yeung Chi Tat
Mr. Lung Hung Cheuk

Corporate Information

Nomination Committee Members

Mr. Yeung Wo Fai *(Chairman)*
Mr. Kwan Po Chuen, Vincent
Mr. Lung Hung Cheuk

Legal Adviser as to Hong Kong Laws

Woo Kwan Lee & Lo

Compliance Adviser

Guangdong Securities Limited

Principal Bankers

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Auditors

Ernst & Young

Stock Code

1023

Company Website

www.sitoy.com

Overview

Sitoy Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are one of the world’s leading manufacturer of branded high-end and luxury handbags, small leather goods and travel goods. The Group is principally engaged in designing, researching, developing and manufacturing handbags, small leather goods, and travel goods on behalf of leading international high-end and luxury brands and department stores.

The Group has an in-house creative center and a research and development center that collaborate with the leading international high-end and luxury brand customers of the Group in their product development process. The creative center is responsible for the production of prototypes from design concepts, as well as sales samples, while the research and development center is responsible for developing manufacturing technology to produce quality handbags, small leather goods and travel goods efficiently, as well as for providing input on the production of handbags, small leather goods and travel goods with different designs.

The Group has established long-term relationships with the key customers and has a market-leading position and long track record in providing high quality products and services. In addition, the large scale of operations better positions the Group to respond to changing consumer preferences and meet the varying demands of the customers. The expertise in the design, research, development and manufacture of handbags, small leather goods and travel goods well positions the Group to attract and retain leading international high-end and luxury brands as customers.

As at 31 December 2011, the Group operated five manufacturing facilities with a total of 210 production lines and over 14,000 staff. Four of the manufacturing facilities are located in Dongguan, Guangdong Province, The People’s Republic of China (the “PRC”), and one of the manufacturing facilities is located in Yingde, Guangdong Province, the PRC. The manufacturing facilities are strategically located in the Guangdong Province in order to benefit from access to the well-established transport and logistics infrastructure, as well as raw material suppliers.

Overview

In addition, in order to leverage on the long and in-depth experience in the luxury branded handbag and small leather goods manufacturing business and the well-established manufacturing platform, the Group recently expanded into the rapidly growing PRC and Hong Kong handbag and small leather goods retail market with TUSCAN'S, a high-end fashion brand with Italian origins. The TUSCAN'S brand was originally founded in Tuscany, Italy, in 1974, by TUSCAN'S Creations S.r.l. and is known for top quality contemporary Italian leather style handbags and small leather goods. As at 31 December 2011, the Group had seven stand-alone retail stores and nine department store concession counters in various cities in the PRC, as well as one stand-alone retail store in Hong Kong.

Looking forward, the Company will seek to enhance shareholder value by leveraging the expertise in handbag, small leather goods and travel goods design, research, development and manufacturing with a view to maintaining and strengthening the position of the Group as the leading high-end and luxury branded handbag, small leather goods and travel goods manufacturer globally, expanding into new segments such as luxury bags and small leather goods for men and enhancing the Group's own brand.

Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of the Company is pleased to present the interim report of the Group for the six months ended 31 December 2011.

Initial Public Offering and Use of Net Proceeds

The Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 December 2011 (the "Listing Date"), marking a key milestone in the business development of the Group. In connection with the Company's initial public offering, 249,600,000 new shares of the Company were issued and allotted at an offer price of HK$2.95 per share and pursuant to the partial exercise of the over-allotment option, 3,132,000 new shares of the Company were issued and allotted on 30 December 2011 at an offer price of HK$2.95 per share.

From the initial public offering and the partial exercise of the over-allotment option, the Group raised approximately HK$745.6 million before expenses, which will be used in accordance with the use of proceeds as disclosed in the prospectus of the Company dated 24 November 2011. As at 31 December 2011, the Group deposited the net proceeds into interest-bearing accounts with financial institutions in Hong Kong.

Business Review

Manufacturing business

The manufacturing business of the Group comprises the products developed and manufactured for its high-end and luxury brand customers, as well as the products researched, developed, designed and manufactured for its private label customers. For the six months ended 31 December 2011, the Group manufactured and sold a total of 7.7 million units of handbags, small leather goods and travel goods to its high-end and luxury brand customers. The following table sets forth, for the periods indicated, the sales volume and revenue attributed to each category of the principal products of the manufacturing business of the Group.

	For the six months ended 31 December					
	2011		2010		Percentage change	
	Sales Volume Units '000	**Revenue HK$'000**	Sales Volume Units '000	Revenue HK$'000	Sales Volume %	Revenue %
Handbags	**5,895.0**	**1,405,952**	4,665.4	1,084,263	26.4%	29.7%
Small leather goods	**1,763.5**	**187,820**	1,190.1	111,270	48.2%	68.8%
Travel goods	**39.4**	**22,752**	20.2	8,386	95.0%	171.3%
Total	**7,697.9**	**1,616,524**	5,875.7	1,203,919	31.0%	34.3%

The rapid growth in sales volume and revenue for the six months ended 31 December 2011 was mainly attributable to the growing demand in the markets in which the high-end and luxury brand customers of the Group sell their products. Given the rapid growth in demand for high-end and luxury handbag, small leather goods and travel goods products, especially in emerging markets like the PRC, the growth of the global high-end and luxury handbag, small leather goods and travel goods manufacturing market is expected to exceed the comparative expected growth of the corresponding retail market, as global high-end and luxury brands continue to outsource production in order to reduce costs. As a result of the Group's market-leading position and long track record in providing high quality services, it is expected that the manufacturing business of the Group will expand continuously and the order book of the Group for the next six months is in line with the expectation.

Retail business

The retail business of the Group represents the sale of the TUSCAN'S branded handbag and small leather goods products through its own retail stores in the PRC and Hong Kong. For the six months ended 31 December 2011, the revenue generated from the retail business of the Group was HK$3.8 million. During the second half of 2011, six new stand-alone retail stores and nine new department store concession counters were opened in Beijing, Chongqing, Hefei, Hong Kong, Jinan, Jinhua, Ningbo, Shanghai, Shenzhen and Wuhu.

In order to attract customers to revisit the stores more frequently and increase store traffic, approximately 100 different designs and styles of handbags and small leather goods will be generated each six-month season and four to six different designs and styles of handbags and small leather goods will be introduced each month. Since the launch of the retail business in February 2011, TUSCAN'S handbag and small leather goods products have been promoted through different marketing channels, including mass media, such as magazines, transportation advertising, such as in-flight advertisements, in-store promotion campaigns, and fashion shows.

Supported by the strong creative center and research and development center of the Group, new TUSCAN'S handbag or small leather goods product lines can be launched quickly in order to meet fast changing consumer preferences and fashion trends and test the market acceptance of each design before incurring significant production costs.

Given the growing demand for quality fashion handbags and small leather goods in the PRC and Hong Kong and by leveraging on the strong manufacturing platform of the Group, it is expected that the sales volume and revenue from the retail business will increase continuously.

Manufacturing facilities

As at 31 December 2011 and 2010, the estimated semi-annual production capacity of the Group was approximately 9.1 million and 8.0 million units of handbags, small leather goods and travel goods, respectively, while the utilization rate for the same six months periods was approximately 85% and 74%, respectively. The increase in the production capacity of the Group was primarily due to the increased number of the production lines to 210 from 186 during the period under review as a result of increased demand for the products from the customers. This increase also improved the manufacturing flexibility and efficiency of the Group and allowed it to better meet the varying demands of the customers.

The Group plans to continue expanding its manufacturing capabilities. With respect to its manufacturing facilities, the current expansion plans include a second phase expansion of its manufacturing facility in Yingde. The construction of two buildings as part of the second expansion phase of the Yingde manufacturing facility was completed in November 2011. The Group is now in the process of planning and negotiating construction contracts with respect to the remaining buildings of the second expansion phase of the Yingde manufacturing facility. In addition, the Group will continuously upgrade its machinery and equipment in order to enhance the operational efficiency. It is expected that these new investments will be partly funded by the proceeds of the initial public offering and partly from the internally generated funds of the Group.

Product Research, Development and Design

The Group has a leading design, research and development platforms in the high-end and luxury branded handbag and small leather goods manufacturing industry in the PRC based on number of staff. The in-house creative center and research and development center of the Group offer the customers one-stop design, research, development and manufacturing solutions, which helps the Group to service its customers in responding to fast changing consumer preferences and fashion trends, develop and manufacture products with complex designs, maintain its profitability, as well as secure additional business.

As at 31 December 2011, the creative center and the research and development center had approximately 1,100 and 63 staff, respectively, many of whom have significant experience in the industry, which enhances the ability to collaborate with the customers in their product development process. The creative center designed or collaborated with the customers in the design and development of more than 3,400 and 2,700 distinct handbags, small leather goods and travel goods for the six months ended 2011 and 2010, respectively.

By offering the customers a comprehensive range of additional services in addition to the high level of craftsmanship and manufacturing expertise, it is expected that the expertise in the research, development, design and manufacture of handbags, small leather goods and travel goods will well position the Group to attract and retain leading international high-end and luxury brands as customers.

Future Prospects

As the first luxury handbag, small leather goods, and travel goods manufacturer listed in Hong Kong, the Group captures opportunities arising from the rapid growth in the global high-end and luxury branded fashion goods market, especially in the PRC. By leveraging on the market leading position and strong research, development, design and commercialisation capabilities, the Group will broaden the customer base by attracting new international high-end and luxury brand customers in order to diversify its revenue streams and expand into new segments such as travel goods and luxury bags and small leather goods markets for men given their strong growth potential. It is expected that 2 to 3 new European high-end and luxury brand customers will be added to the Group's customer portfolio for the year ending 30 June 2012.

The Group will enhance its research, development, design and other value-added services to the customers by collaborating with them in their product design and development process and provide input on the production of handbags, small leather goods and travel goods with different designs in order to strength the relationships with them.

The Group will continue to expand its manufacturing capabilities in anticipation of the continued growth of business. Increasing the manufacturing capabilities also gives the Group the flexibility to adapt the production lines for the production of small, customized orders, such as for luxury branded handbags and small leather goods, as well as larger volume production runs to meet the varying demands of the customers in order to yield higher margins and maintain the relationships with the customers.

For the retail business, the Group will continue to enhance brand recognition for the TUSCAN'S brand by launching further advertising campaigns through multiple marketing channels. New directly operated stores, in particular department store concession counters, will be opened in fast growing cities in the PRC and Hong Kong where a rapidly growing middle class is driving the demand for high-end fashion handbag and small leather goods products.

Supported by the strong performance in the manufacturing business and the continuous expansion of the retail business, the Group is confident and optimistic about its future business prospects.

Financial Review

Revenue

Revenue of the Group represents proceeds from sale of handbags, small leather goods and travel goods to high-end and luxury brand customers and sale of the TUSCAN'S branded products through the retail stores in the PRC and Hong Kong. The following table sets forth, for the periods indicated, the revenue by operating segment and product type.

	For the six months ended 31 December				
	2011		2010		
Manufacturing	**HK$'000**	**Percentage**	HK$'000	Percentage	Percentage change
Handbags	**1,405,952**	**86.8%**	1,084,263	90.1%	29.7%
Small leather goods	**187,820**	**11.6%**	111,270	9.2%	68.8%
Travel goods	**22,752**	**1.4%**	8,386	0.7%	171.3%
Subtotal	**1,616,524**	**99.8%**	1,203,919	100.0%	34.3%
Retail	**3,846**	**0.2%**	–	–	–
Total	**1,620,370**	**100.0%**	1,203,919	100.0%	34.6%

The revenue increased by 34.6% to HK$1,620.4 million for the six months ended 31 December 2011 from HK$1,203.9 million for the six months ended 31 December 2010. This increase was primarily due to an increase in the sales volumes of products to 7.7 million units for the six months ended 31 December 2011 from 5.9 million units for the six months ended 31 December 2010 as a result of growing demand from the high-end and luxury brand customers, as well as the start of the retail business in February 2011.

Cost of sales

Cost of sales primarily consists of cost of raw materials, direct labour costs and manufacturing overheads (which includes primarily utility expenses, rental fees, amortization and depreciation and net value-added tax payables). The following table sets forth, the components of the cost of sales.

	For the six months ended 31 December			
	2011		2010	
	HK$'000	**Percentage of revenue**	HK$'000	Percentage of revenue
Cost of raw materials	**959,190**	**59.2%**	741,844	61.6%
Direct labour costs	**266,060**	**16.4%**	167,845	14.0%
Manufacturing overheads	**29,369**	**1.8%**	20,729	1.7%
Total	**1,254,619**	**77.4%**	930,418	77.3%

Costs of sales of the Group increased by 34.8% to HK$1,254.6 million for the six months ended 31 December 2011 from HK$930.4 million for the six months ended 31 December 2010. This increase was primarily due to an increase in sales volume for the six months ended 31 December 2011 compared to six months ended 31 December 2010. The decrease in the cost of raw materials to 59.2% for the six months ended 31 December 2011 from 61.6% for the six months ended 31 December 2010 as a percentage of revenue was primarily due to continued improvements in the product design and development capabilities. Direct labour costs increased to 16.4% for the six months ended 31 December 2011 from 14.0% for the six months ended 31 December 2010 as a percentage of revenue was primarily as a result of higher wages and an increase in head count in connection with the expansion of the manufacturing capabilities.

Gross profit and gross profit margin

Gross profit increased by 33.7% to HK$365.8 million for the six months ended 31 December 2011 from HK$273.5 million for the six months ended 31 December 2010, which was in line with the revenue growth during the same period. Gross profit margin remained stable at 22.6% for the six months ended 31 December 2011 compared with 22.7% for the six months ended 31 December 2010.

Other income and gains

Other income and gains decreased to HK$10.9 million for the six months ended 31 December 2011 from HK$17.7 million for the six months ended 31 December 2010. The decrease was primarily due to a HK$4.6 million decrease in net exchange gains and a HK$3.0 million decrease in PRC government grants which was non-recurring in nature.

Selling and distribution costs

Selling and distribution costs primarily consist of marketing and promotion expenses, sales and marketing staff remuneration and benefits, transportation costs for transporting finished goods to their port of shipment and supplies from the suppliers, customs clearance fees and other selling expenses.

Selling and distribution costs increased by 66.5% to HK$42.8 million for the six months ended 31 December 2011 from HK$25.7 million for the six months ended 31 December 2010. The increase in sales volumes resulted in a HK$2.9 million increase in transportation costs for transporting finished goods to their port of shipment and raw materials from the suppliers, as well as a HK$3.1 million increase in sales and marketing staff remuneration and benefits for the manufacturing business. In addition, the start of the retail business in February 2011 resulted in a HK$9.6 million increase in selling and distribution costs, most of which were pre-operating expenses.

Administrative expenses

Administrative expenses primarily consist of office and administrative expenses, administrative staff remuneration and benefits, directors' remuneration, initial public offering expenses, depreciation of office equipment and buildings, bank charges and other administrative expenses.

Administrative expenses increased by 43.1% to HK$105.5 million for the six months ended 31 December 2011 from HK$73.7 million for the six months ended 31 December 2010, primarily attributable to one-off initial public offering expenses incurred. Excluding initial public offering expenses of HK$16.1 million and HK$5.0 million for the six months ended 31 December 2011 and 2010 respectively, administrative expenses increased by 30.1% during the period under review, which was in line with the revenue and gross profit growth of 34.6% and 33.7% respectively.

Other expenses

Other expenses increased to HK$1.4 million for the six months ended 31 December 2011 from HK$0.4 million for the six months ended 31 December 2010, primary attributable to an expense of HK$1.2 million incurred for obtaining the properties ownership certificates in Dongguan.

Finance costs

Finance costs decreased to HK$1.5 million for the six months ended 31 December 2011 from HK$2.2 million for the six months ended 31 December 2010. This decrease was primarily due to a decrease in bank borrowings in 2011 as a result of the Group's strategy to reduce its bank borrowings to the extent conducive to the business.

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 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 six months ended 2011 and 2010 on the estimated assessable profits arising in Hong Kong during the relevant period.

PRC corporate income tax was based on a statutory rate of 25% of the assessable profit of all the subsidiaries incorporated in the PRC as determined in accordance with the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law"), which was approved and became effective on 1 January 2008. Certain foreign invested enterprises ("FIE") that were established prior to the promulgation of the New Corporate Income Tax Law and enjoyed lower tax rates according to the provisions of the previous tax laws and regulations are exempt from paying income tax for a period of two years starting from the year when the FIEs begin to make a profit or 1 January 2008, whichever is earlier, and thereafter enjoy a 50% reduced tax rate for the following three years. An indirect wholly-owned subsidiary of the Company, Sitoy (Yingde) Leather Products Co., Ltd., is an FIE that qualifies for this 50% reduced tax rate until 31 December 2012.

The effective tax rate of the Group was 21.0% for the six months ended 31 December 2011.

Profit for the period

Profit for the period increased by HK$23.1 million to HK$178.0 million for the six months ended 31 December 2011 from HK$154.9 million for the six months ended 31 December 2010. As a percentage of revenue, profit decreased to 11.0% for the six months ended from 12.9% for the six months ended 31 December 2010, primarily due to one-off initial public offering expenses incurred and operating loss situation of the retail business.

Capital expenditure

For the six months ended 31 December 2011, the capital expenditure of the Group amounted to HK$26.5 million, primarily related to the expansion of the manufacturing capabilities through the construction of the new manufacturing facilities in Dongguan and Yingde and acquisition of new machineries.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 31 December 2011.

Liquidity and financial resources

The liquidity and financial resources position remains strong as the Group continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 31 December 2011 amounted to HK$714.2 million. The Group has sufficient financial resources and a strong cash position for satisfying 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 outstanding bank and other borrowings decreased to HK$76.3 million as at 31 December 2011 compared with HK$105.9 million as at 30 June 2011. The decrease in outstanding bank and other borrowings was primarily due to the Group's strategy to reduce bank and other borrowings to the extent conducive to the business. No gearing ratio (calculated as net debt divided by total capital plus net debt) as at 31 December 2011 is presented because the Group's cash and cash equivalents exceeded the interest-bearing bank borrowings. As at 30 June 2011, the gearing ratio was 5%.

Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2011, 99.75% (year ended 30 June 2011: 99.94%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 42% (year ended 30 June 2011: 38%) of costs were denominated in the units' functional currency.

As at 31 December 2011, the Group had three foreign exchange forward contracts to purchase US$1,348,500, US$271,600 and US$540,400, respectively, using Euro and no other financial derivatives outstanding. The contracted exchange rates of the foreign exchange forward contracts were US$1.3485, US$1.358 and US$1.351, respectively, to one Euro, and the expiration dates of these contracts are 22 February 2012, 28 February 2012 and 18 April 2012, respectively.

Pledge of Assets

As at 31 December 2011, property, plant and equipment, and available-for-sale investment of HK$11.1 million were pledged as security for banking facilities available to the Group (30 June 2011: HK$11.3 million).

Inventory turnover days

Inventory turnover days increased to 56 days for the six months ended 31 December 2011 (calculated as the average of the beginning and ending inventory balances for the period before provisions against inventories, divided by the cost of sales for the period and multiplied by 184 days) from 52 days for the year ended 30 June 2011 (calculated as the average of the beginning and ending inventory balances for the year before provisions against inventories, divided by the cost of sales for the year and multiplied by 365 days). The increase in inventory turnover days was due to the Group's strategy to target luxury brand customers to whom more complex products were sold resulting in a longer production cycle.

Trade receivables turnover days

Trade receivables turnover days remained stable at 31 days for the six months ended 31 December 2011 (calculated as the average of the beginning and ending trade receivables balances for the period, divided by revenue for the period and multiplied by 184 days) compared with 29 days for the year ended 30 June 2011 (calculated as the average of the beginning and ending trade receivables balances for the year, divided by revenue for the year and multiplied by 365 days). The Group did not experience any significant credit risk due to strict credit control policies.

Based on past experience, the Directors are of the opinion that no provision for impairment is necessary as at 31 December 2011 as there has not been a significant change in credit quality and all of the balances are considered fully recoverable.

Trade payables turnover days

Trade payables turnover days decreased slightly to 41 days for the six months ended 31 December 2011 (calculated as the average of the beginning and ending trade payables balances for the period, divided by the cost of raw materials for the period and multiplied by 184 days) compared with 43 days for the year ended 30 June 2011 (calculated as the average of the beginning and ending trade payables balances for the year, divided by the cost of raw materials for the year and multiplied by 365 days). Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements

As at 31 December 2011, the Group did not have any material off-balance sheet arrangements or contingencies.

Employees

As at 31 December 2011, the Group had over 14,000 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with outstanding performance. The PRC subsidiaries of the Group are subject to social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations and adhere to both statutory employment standards and those requested by our customers, such as minimum wage levels and maximum working hours. In addition, the Group provides staff quarters for most of our employees and, in case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteen, clinic, sports site, library and internet center for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the compensation 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 will provide 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.

A share option scheme was approved and adopted on 15 November 2011 (the "Share Option Scheme") to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants of the scheme. During the six months ended 31 December 2011, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at 31 December 2011.

Dividend

The Directors do not recommend the payment of any interim dividend to shareholders of the Company for the six months ended 31 December 2011.

Corporate Governance and Other Information

Directors' and Chief Executive's Interests and Short Positions in the shares, underlying shares and debentures

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

Long position in the shares of the Company

Name of Director	Nature of interest	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
Mr. Yeung Michael Wah Keung	Beneficial owner	486,720,000 (L)	48.60%
Mr. Yeung Wo Fai	Beneficial owner	262,080,000 (L)	26.17%

(1) (L) represents long position.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the shares and underlying shares of the Company

As at 31 December 2011, so far as the Directors were aware, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	**Nature of interest**	**Number of ordinary shares interested**	**Approximate percentage of the Company's issued share capital**
Keen Achieve Limited	Beneficial owner[2]	64,912,000 (L)	6.48%
IDG – Accel China Capital L.P.	Interest in a controlled corporation[2]	64,912,000 (L)	6.48%
IDG – Accel China Capital Associates L.P.	Interest in a controlled corporation[2]	64,912,000 (L)	6.48%
IDG – Accel China Capital GP Associates Ltd.	Interest in a controlled corporation[2]	64,912,000 (L)	6.48%
Patrick J McGovern	Interest in a controlled corporation[2]	64,912,000 (L)	6.48%
Zhou Quan	Interest in a controlled corporation[2]	64,912,000 (L)	6.48%

(1) (L) represents long position.

(2) 95.59% of the issued share capital of Keen Achieve Limited was owned by IDG-Accel China Capital L.P., a limited partnership established in the Cayman Islands controlled by IDG – Accel China Capital Associates L.P. IDG – Accel China Capital Associates L.P. was controlled by IDG – Accel China Capital GP Associates Ltd., which was in turn controlled by Mr. Patrick J McGovern and Mr. Zhou Quan.

IDG-Accel China Capital L.P., IDG – Accel China Capital Associates L.P., IDG – Accel China Capital GP Associates Ltd., Mr. Patrick J McGovern and Mr. Zhou Quan were deemed to be interested in the 64,912,000 shares of the Company which were beneficially owned by Keen Achieve Limited.

Save as disclosed above, as at 31 December 2011, so far as the Directors were aware, no person (other than the Directors or chief executive of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' securities transactions

The Company has adopted 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 to all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for the period from the Listing Date to 31 December 2011.

Corporate governance

The Company is committed to fulfilling its responsibilities to shareholders and protecting and enhancing shareholder value through solid corporate governance. It devotes considerable efforts in identifying and formalising its corporate governance practices. The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring all its businesses are conducted in an honest, ethical and responsible manner and the proper processes for oversight of its businesses are in place and are regularly reviewed.

The Board is of the view that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") for the period from the Listing Date to 31 December 2011.

Corporate Governance and Other Information

Audit committee

The Company established an audit committee on 15 November 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises Mr. Yeung Chi Tat (chairman of the audit committee), 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 consolidated interim report of the Group for the six months ended 31 December 2011.

Purchase, sale or redemption of the Company's listed securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of the subsidiaries during the period from the Listing Date to 31 December 2011.

Change in Director's information

Under the Rule 13.51B(1) of the Listing Rules, the change in information of a Director is set out below:

Mr. Kwan Po Chuen, Vincent (being an independent non-executive Director) retired as the general manager (legal and secretarial) of Sino Land Company Limited (Stock Code: 83) on 31 January 2012. Mr. Kwan joined Messrs. Gallant Y T Ho & Co. as a consultant with effect from 1 February 2012, principally focusing on corporate matters, corporate finance and tax-related work.

Independent Auditors' Report

To the shareholders of Sitoy Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sitoy Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 120, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the six months then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matter

Without qualifying our opinion, we draw attention to the fact that the comparative amounts set out in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related notes for the six months ended 31 December 2010 have not been audited.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

27 February 2012

Consolidated Income Statement

Six months ended 31 December 2011

	Notes	Six months ended 31 December 2011 HK$'000	2010 HK$'000 (Unaudited)
REVENUE	6	**1,620,370**	1,203,919
Cost of sales		**(1,254,619)**	(930,418)
Gross profit		**365,751**	273,501
Other income and gains	6	**10,874**	17,687
Selling and distribution costs		**(42,804)**	(25,656)
Administrative expenses		**(105,475)**	(73,674)
Other expenses		**(1,429)**	(357)
Finance costs	8	**(1,494)**	(2,175)
PROFIT BEFORE TAX	7	**225,423**	189,326
Income tax expense	11	**(47,410)**	(34,408)
PROFIT FOR THE PERIOD		**178,013**	154,918
Attributable to:			
Owners of the Company	12	**178,013**	154,918
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	14	**22.70**	20.69

Details of the dividends for the reporting period are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Six months ended 31 December 2011

	Six months ended 31 December	
	2011 **HK$'000**	2010 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	**178,013**	154,918
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	**(113)**	(532)
Exchange differences on translation of foreign operations	**7,885**	7,022
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**7,772**	6,490
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**185,785**	161,408
Attributable to:		
Owners of the Company	**185,785**	161,408

Consolidated Statement of Financial Position

31 December 2011

	Notes	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**305,190**	284,003
Prepaid land lease payments	16	**20,627**	20,327
Deferred tax assets	17	**11,219**	10,360
Prepayments	21	**2,899**	3,176
Total non-current assets		**339,935**	317,866
CURRENT ASSETS			
Inventories	19	**464,974**	291,837
Trade receivables	20	**308,794**	239,860
Prepayments, deposits and other receivables	21	**42,863**	50,271
Amount due from a related company	24	**110**	540
Available-for-sale investment	22	**9,496**	9,609
Cash and cash equivalents	23	**714,166**	80,390
Total current assets		**1,540,403**	672,507
CURRENT LIABILITIES			
Trade payables	25	**230,701**	197,972
Other payables and accruals	26	**119,502**	96,495
Interest-bearing bank borrowings	27	**76,289**	105,901
Tax payable		**63,101**	96,324
Total current liabilities		**489,593**	496,692
NET CURRENT ASSETS		**1,050,810**	175,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,390,745**	493,681

Consolidated Statement of Financial Position

31 December 2011

	Notes	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**1,290**	244
Total non-current liabilities		**1,290**	244
Net assets		**1,389,455**	493,437
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**100,153**	1
Reserves	29	**1,289,302**	493,436
Total equity		**1,389,455**	493,437

Yeung Michael Wah Keung
Director

Yu Chun Kau
Director

Consolidated Statement of Changes in Equity

Six months ended 31 December 2011

	Attributable to owners of the Company							
	Issued capital HK$'000 (note 28)	Share premium account* HK$'000 (note 29)	Merger reserve* HK$'000 (note 29)	Statutory reserve fund* HK$'000 (note 29)	Available-for-sale investment revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 July 2011	1	400,000	4,030	4,742	(414)	18,973	66,105	493,437
Profit for the period	-	-	-	-	-	-	178,013	178,013
Other comprehensive income for the period:								
Changes in fair value of available-for-sale investment, net of tax	-	-	-	-	(113)	-	-	(113)
Exchange differences on translation of foreign operations	-	-	-	-	-	7,885	-	7,885
Total comprehensive income for the period	-	-	-	-	(113)	7,885	178,013	185,785
Capitalization issue of shares	74,879	(74,879)	-	-	-	-	-	-
Issue of shares from initial public offering	24,960	711,360	-	-	-	-	-	736,320
Issue of shares from partial exercise of an over-allotment option	313	8,926	-	-	-	-	-	9,239
Share issue expenses	-	(35,326)	-	-	-	-	-	(35,326)
Transfer from retained profits	-	-	-	11,581	-	-	(11,581)	-
At 31 December 2011	100,153	1,010,081	4,030	16,323	(527)	26,858	232,537	1,389,455

Consolidated Statement of Changes in Equity

Six months ended 31 December 2011

	Attributable to owners of the Company						
	Issued capital HK$'000 (note 28)	**Merger reserve*** HK$'000 (note 29)	**Statutory reserve fund*** HK$'000 (note 29)	**Available-for-sale investment revaluation reserve*** HK$'000	**Exchange fluctuation reserve*** HK$'000	**Retained profits*** HK$'000	**Total** HK$'000
At 1 July 2010	1	4,030	–	–	4,844	208,427	217,302
Profit for the period	–	–	–	–	–	154,918	154,918
Other comprehensive income for the period:							
Changes in fair value of available-for-sale investment, net of tax	–	–	–	(532)	–	–	(532)
Exchange differences on translation of foreign operations	–	–	–	–	7,022	–	7,022
Total comprehensive income for the period	–	–	–	(532)	7,022	154,918	161,408
Interim dividend declared (note 13)	–	–	–	–	–	(40,000)	(40,000)
Transfer from retained profits	–	–	2,512	–	–	(2,512)	–
At 31 December 2010 (unaudited)	1	4,030	2,512	(532)	11,866	320,833	338,710

* These reserve accounts comprise the consolidated reserves of HK$1,289,302,000 (31 December 2010: HK$338,709,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Six months ended 31 December 2011

		Six months ended 31 December	
	Notes	**2011** **HK$'000**	2010 HK$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**225,423**	189,326
Adjustments for:			
Finance costs	8	**1,494**	2,175
Depreciation	7	**12,920**	8,553
Amortization of prepaid land lease payments	7	**222**	152
Write-down of inventories to net realizable value	7	**6,833**	3,551
Write-off of long term lease payment	7	**–**	120
		246,892	203,877
Increase in trade receivables		**(68,934)**	(9,583)
Decrease/(increase) in prepayments, deposits and other receivables		**4,053**	(16,162)
Decrease in amount due from a related company		**430**	–
Increase in inventories		**(179,970)**	(67,690)
Increase in trade payables		**32,729**	27,833
Increase in other payables and accruals		**21,965**	22,468
CASH GENERATED FROM OPERATIONS		**57,165**	160,743
Hong Kong profits tax paid		**(68,716)**	(4,835)
Mainland China income tax paid		**(12,187)**	(1,454)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		**(23,738)**	154,454

Consolidated Statement of Cash Flows

Six months ended 31 December 2011

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	**(25,868)**	(48,522)
Purchase of available-for-sale investment	**–**	(10,023)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(25,868)**	(58,545)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**745,559**	–
Share issue expenses	**(31,388)**	–
Repayment of bank and other borrowings	**(29,612)**	(22,901)
Decrease in pledged time deposits	**–**	10,000
Dividend paid	**–**	(32,138)
Interest paid	**(1,494)**	(2,175)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**683,065**	(47,214)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**633,459**	48,695
Cash and cash equivalents at beginning of period	**80,390**	50,146
Effect of foreign exchange rate changes, net	**317**	1,332
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**714,166**	100,173

Statement of Financial Position

31 December 2011

	Notes	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**430,000**	–
Total non-current assets		**430,000**	–
CURRENT ASSETS			
Trade receivables	20	**–**	92
Prepayments, deposits and other receivables	21	**518**	3,415
Amounts due from subsidiaries	24	**92,842**	397,551
Cash and cash equivalents	23	**618,034**	629
Total current assets		**711,394**	401,687
CURRENT LIABILITIES			
Other payables and accruals	26	**13,857**	11,326
Total current liabilities		**13,857**	11,326
NET CURRENT ASSETS		**697,537**	390,361
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,127,537**	390,361
Net assets		**1,127,537**	390,361
EQUITY			
Issued capital	28	**100,153**	1
Reserves	29	**1,027,384**	390,360
Total equity		**1,127,537**	390,361

Notes to Financial Statements

Six months ended 31 December 2011

1. Corporate Information

Sitoy Group Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 21 February 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands.

The principal activities of the Company and its subsidiaries are the manufacture and sale of handbags, small leather goods and travel goods.

Pursuant to a group reorganization (the "Reorganization") which was completed on 13 July 2011, the Company became the holding company of the other subsidiaries comprising the Group.

The Company's shares were listed on the Stock Exchange on 6 December 2011.

2.1 Basis of Preparation

These 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for available-for-sale investment, which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of Preparation (continued)

The comparative amounts of the consolidated income statement and the consolidated statement of comprehensive income in respect of the six months ended 31 December 2010 and the related notes disclosed in the consolidated financial statement have not been audited.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the six months ended 31 December 2011. For the preparation of the consolidated financial statements, the Group adopted 30 June as the Group's financial year end. The financial statements of the subsidiaries are prepared using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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 derecognizes (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 recognizes (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 recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 24 (Revised)	*Related Party Disclosures*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IAS 1 included in Improvements to IFRSs 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 Changes in Accounting Policy and Disclosures (continued)

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendment most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

2.3 Issued but Not Yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilites*[3]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[2]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[3]
IAS 27 (Revised)	*Separate Financial Statements*[3]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[3]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilites*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

1 Effective for annual periods beginning on or after 1 January 2012
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a); and
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 to 50 years
Leasehold improvements	The shorter of the lease terms and their useful lives
Plant and machinery	3 to 10 years
Office equipment	4 to 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the consolidated income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalized borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to the consolidated income statement as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, amount due from a related company and available-for-sale investment.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the consolidated income statement. The loss arising from impairment is recognized in the income statement in finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the consolidated income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial investments to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is removed from other comprehensive income and recognized in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement – is removed from other comprehensive income and recognized in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the consolidated income statement.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 13% to 14% of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Company and non-Mainland China incorporated subsidiaries is HK$. The functional currency of the subsidiaries incorporated in Mainland China is Renminbi ("RMB"). The financial statements are presented in HK$, which is the Group's presentation currency.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

Foreign currency transactions recorded by the entities within the Group are initially recorded using their respective functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company's subsidiaries incorporated in Mainland China is RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates ruling at the end of the reporting period and its income statement is translated into HK$ at the weighted average exchange rates for the period. The resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequent recurring cash flows of these entities which arise throughout the period are translated into HK$ at the weighted average exchange rates for the reporting period.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

(i) *With holding taxes arising from the distributions of dividends*

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in Mainland China according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend, where the Group considered that if it is probable that the profits of the subsidiary in Mainland China will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Impairment of property, plant and equipment*

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

3. Significant Accounting Judgments and Estimates (continued)

Estimation uncertainty (continued)

(ii) *Useful lives of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) *Deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iv) *Net realizable value of inventories*

Net realizable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

3. Significant Accounting Judgments and Estimates (continued)

Estimation uncertainty (continued)

(v) Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision of corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the corporate income tax and tax provisions in the period in which the differences are realized. Further details are contained in note 11 to the financial statements.

4. Particulars of Companies Comprising the Group

Particulars of the companies comprising the Group at 31 December 2011 are set out below:

Name of company	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Subsidiaries					
Sitoy International Limited	The British Virgin Islands ("BVI") 10 September 2010	United States dollar ("US$") 1	100	–	Investment holding
Sitoy Handbag Factory Limited	BVI 23 May 2011	US$100	100	–	Investment holding

4. Particulars of Companies Comprising the Group (continued)

Name of company	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sitoy Investment International Limited	BVI 23 May 2011	US$100	100	–	Investment holding
Sitoy (Hong Kong) Handbag Factory Limited ("Sitoy Handbag")	Hong Kong 9 July 1982	HK$4,000,000	–	100	Manufacture and sale of handbags, small leather goods and travel goods
Sitoy Company Limited	Hong Kong 29 July 1986	HK$30,000	–	100	Trading of handbags, small leather goods and travel goods
Sitoy Retailing Limited	Hong Kong 21 September 2010	HK$5,000,000	–	100	Investment holding, trading and retail of handbags, small leather goods and travel goods
Sitoy (Yingde) Leather Products Co., Ltd. ("Sitoy Yingde")	The People's Republic of China ("PRC")/ Mainland China 11 December 2006	HK$220,000,000	–	100	Manufacture and sale of handbags, small leather goods and travel goods
Dongguan Shidai Leather Products Factory Co., Ltd.	PRC/Mainland China 13 July 1992	HK$60,000,000	–	100	Manufacture and sale of handbags, small leather goods and travel goods

4. Particulars of Companies Comprising the Group (continued)

Name of company	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Guangzhou Sitoy Leather Goods Company Limited*	PRC/Mainland China 18 January 2011	HK$25,000,000	–	100	Retail of handbags, small leather goods and travel goods

* The English name of the Company's subsidiary represents the translated name of the company as no English name has been registered.

5. Operating Segment Information

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

(a) Manufacturing: produces handbags, small leather goods and travel goods for branding and resale by others; and

(b) Retail: manufactures and retails handbags, small leather goods and travel goods for the brand owned by the Group.

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

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

5. Operating Segment Information (continued)

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.

Six months ended 31 December 2011

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**1,616,524**	**3,846**	**1,620,370**
Intersegment sales	**3,903**	**–**	**3,903**
	1,620,427	**3,846**	**1,624,273**
Reconciliation:			
Elimination of intersegment sales			**(3,903)**
Total revenue			**1,620,370**
Segment results	**249,600**	**(11,101)**	**238,499**
Reconciliation:			
Corporate and other unallocated expenses			**(13,076)**
Profit before tax			**225,423**
Other segment information:			
Depreciation of items of property, plant and equipment	**11,948**	**972**	**12,920**
Amortization of prepaid land lease payments	**222**	**–**	**222**
Write-down of inventories to net realizable value	**6,833**	**–**	**6,833**
Operating lease rentals	**2,510**	**4,593**	**7,103**
Capital expenditure*	**21,317**	**5,229**	**26,546**

5. Operating Segment Information (continued)

Six months ended 31 December 2010 (unaudited)

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,203,919	–	1,203,919
Segment results	195,337	–	195,337
Reconciliation:			
Corporate and other unallocated expenses			(6,011)
Profit before tax			189,326
Other segment information:			
Depreciation of items of property, plant and equipment	8,553	–	8,553
Amortization of prepaid land lease payments	152	–	152
Write-down of inventories to net realizable value	3,551	–	3,551
Operating lease rentals	2,595	–	2,595
Capital expenditure*	40,843	–	40,843

* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments during the period.

5. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2011 and as at the date of the last annual financial statements (30 June 2011).

As at 31 December 2011

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment assets	**1,250,251**	**27,356**	**1,277,607**
Reconciliation:			
Elimination of intersegment receivables			**(15,821)**
Corporate and other unallocated assets			**618,552**
Total assets			**1,880,338**
Segment liabilities	**475,124**	**17,723**	**492,847**
Reconciliation:			
Elimination of intersegment payables			**(15,821)**
Corporate and other unallocated liabilities			**13,857**
Total liabilities			**490,883**

5. Operating Segment Information (continued)

As at 30 June 2011

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment assets	978,846	14,594	993,440
Reconciliation:			
Elimination of intersegment receivables			(7,203)
Corporate and other unallocated assets			4,136
Total assets			990,373
Segment liabilities	483,887	8,926	492,813
Reconciliation:			
Elimination of intersegment payables			(7,203)
Corporate and other unallocated liabilities			11,326
Total liabilities			496,936

5. Operating Segment Information (continued)

Geographical information

(a) *Revenue from external customers*

	Six months ended 31 December	
	2011 **HK$'000**	2010 HK$'000 (unaudited)
Revenue		
North America	**1,090,871**	813,103
Europe	**306,364**	198,082
Mainland China, Hong Kong, Macau and Taiwan	**148,850**	107,153
Other Asian countries	**68,820**	85,225
Others	**5,465**	356
	1,620,370	1,203,919

The revenue information above is based on the region of the customers' distribution centers to which the products were shipped.

5. Operating Segment Information (continued)

Geographical information (continued)

(b) Non-current assets

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Mainland China, Hong Kong, Macau and Taiwan	**328,716**	307,506

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

Information about major customers

For the six months ended 31 December 2011, revenue derived from sales by the manufacturing activities segment to two major customers amounting to HK$821,138,000 and HK$178,172,000 had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the six months ended 31 December 2010, revenue derived from sales by the manufacturing activities segment to two major customers amounting to HK$669,173,000 (unaudited) and HK$120,822,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

6. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Revenue		
Sale of goods	**1,620,370**	1,203,919
Other income and gains		
Exchange gains, net	**4,237**	8,845
Net sample income and compensations from customers and suppliers	**5,404**	4,923
Government grants	**424**	3,431
Interest income	**682**	70
Others	**127**	418
	10,874	17,687

7. Profit Before Tax

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

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Cost of inventories sold	**1,254,619**	930,418
Employee benefit expense (including Directors' remuneration as set out in note 9)		
– Wages and salaries	**332,658**	217,094
– Pension scheme contributions	**7,292**	5,089
	339,950	222,183
Depreciation of items of property, plant and equipment (note 15)	**12,920**	8,553
Amortization of prepaid land lease payments (note 16)	**222**	152
Operating lease rentals	**7,103**	2,595
Write-down of inventories to net realizable value	**6,833**	3,551
Write-off of long term lease payment	**–**	120
Initial public offering costs	**16,117**	5,000
Auditors' remuneration	**979**	500
Exchange gains, net	**(4,237)**	(8,845)

8. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Interest on bank borrowings wholly repayable within five years	**1,494**	2,175

9. Directors' Remuneration

Directors' remuneration during the reporting period, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Fees	**57**	–
Salaries, allowances and benefits in kind	**7,309**	1,442
Pension scheme contributions	**200**	10
	7,566	1,452

9. Directors' Remuneration (continued)

Independent non-executive Directors

The remuneration paid to each of the independent non-executive Directors is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Yeung Chi Tat	14	–	–	14
Kwan Po Chuen, Vincent	14	–	–	14
Lung Hung Cheuk	14	–	–	14
	42	–	–	42

On 15 November 2011, Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk were appointed as independent non-executive Directors of the Company. No remuneration was paid to these Directors prior to their appointment.

There were no other emoluments payable to the independent non-executive Directors during the reporting period (six months ended 31 December 2010: nil).

9. Directors' Remuneration (continued)

Executive Directors

The remuneration paid to each of the executive Directors is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Six months ended 31 December 2011				
Yeung Michael Wah Keung	**3**	**1,796**	**6**	**1,805**
Yeung Wo Fai	**3**	**1,768**	**6**	**1,777**
Yu Chun Kau	**3**	**1,070**	**54**	**1,127**
Chan Ka Dig Adam	**3**	**1,355**	**68**	**1,426**
Yeung Andrew Kin	**3**	**1,320**	**66**	**1,389**
	15	**7,309**	**200**	**7,524**
Six months ended 31 December 2010 (unaudited)				
Yeung Michael Wah Keung	–	910	5	915
Yeung Wo Fai	–	532	5	537
	–	1,442	10	1,452

9. Directors' Remuneration (continued)

There was no arrangement under which a Director waived or agreed to waive any remuneration during the reporting period.

As at 31 December 2011, the remuneration payable of the Directors amounting to HK$1,535,000 (30 June 2011: HK$247,000) was recorded as payroll payable in other payables and accruals.

10. Five Highest Paid Employees

An analysis of the five highest paid employees within the Group during the reporting period is as follows:

	Number of employees Six months ended 31 December	
	2011	2010
Directors	**5**	1
Non-Director employees	**–**	4
	5	5

Details of Directors' remuneration are set out in note 9 above.

10. Five Highest Paid Employees (continued)

Details of the remuneration of the above non-Director, highest paid employees are as follows:

	Six months ended 31 December	
	2011 **HK$'000**	2010 HK$'000 (Unaudited)
Salaries, allowances and benefits in kind	–	2,637
Pension scheme contributions	–	132
	–	2,769

The number of non-Director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees Six months ended 31 December	
	2011	2010
Nil to HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	–	1
	–	4

During the reporting period, no Directors or highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the non-Director and highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

11. 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 BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

The provision for PRC corporate income tax ("CIT") is based on a statutory rate of 25% (six months ended 31 December 2010: 25%) of the assessable profit of the subsidiaries in Mainland China as determined in accordance with the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") which was approved and became effective on 1 January 2008.

In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Sitoy Yingde was entitled to a 50% reduction in CIT for the three years from 1 January 2010 to 31 December 2012. According to the New Corporate Income Tax Law, foreign investment enterprises that were set up prior to 16 March 2007 may continue to enjoy preferential tax treatments for up to five years starting from 1 January 2008. Therefore, the applicable income tax rate of Sitoy Yingde is 12.5% from 1 January 2010 to 31 December 2012.

11. Income Tax Expense (continued)

Sitoy Handbag, a subsidiary of the Group incorporated in Hong Kong, performs manufacturing activities under a contract processing arrangement with a contract processing factory in Mainland China. Accordingly, there is a concessionary tax treatment that only 50% of the profit derived from the contract processing arrangement is subject to Hong Kong profits tax, provided that various criteria as set out in the Departmental Interpretation and Practice Notes No. 21 (revised) issued by the Hong Kong Inland Revenue Department are fulfilled. In addition, the contract processing factory is subject to CIT at a rate of 25% on the deemed profit generated in Mainland China. The deemed profit is calculated at a rate of 7% in the reporting period, on the total deemed revenue which is determined by applying a 7% gross up on the total processing costs incurred by the contract processing factory.

The major components of income tax expense are as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Group:		
Current – Hong Kong		
Charge for the period	**10,708**	29,219
Current – Mainland China		
Charge for the period	**36,261**	11,167
Deferred tax	**441**	(5,978)
Total tax charge for the period	**47,410**	34,408

11. Income Tax Expense (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

Six months ended 31 December 2011

	Hong Kong HK$'000	Mainland China HK$'000	Cayman Islands HK$'000	Total HK$'000
Profit/(loss) before tax	84,033	154,447	(13,057)	225,423
Tax at the statutory tax rate	13,866	38,612	–	52,478
Tax losses from previous periods utilized	(126)	(2,838)	–	(2,964)
Expenses not deductible for tax	–	1,215	–	1,215
Deductible temporary differences not recognized, net	322	333	–	655
Tax losses not recognized in the period	–	2,086	–	2,086
Lower tax rate enacted by local authority	–	(6,060)	–	(6,060)
Tax charge at the Group's effective rate	14,062	33,348	–	47,410

11. Income Tax Expense (continued)

Six months ended 31 December 2010 (unaudited)

	Hong Kong HK$'000	Mainland China HK$'000	Cayman Islands HK$'000	Total HK$'000
Profit/(loss) before tax	146,417	48,920	(6,011)	189,326
Tax at the statutory tax rate	24,159	12,230	–	36,389
Tax losses from previous periods utilized	(125)	(1,526)	–	(1,651)
CIT levied on a Hong Kong entity	–	113	–	113
Expenses not deductible for tax	29	565	–	594
Tax losses not recognized in the period	46	–	–	46
Lower tax rate enacted by local authority	–	(1,083)	–	(1,083)
Tax charge at the Group's effective rate	24,109	10,299	–	34,408

12. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company included the following amount, which has been dealt with in the financial statements of the Company.

	Six months ended 31 December	
	2011 HK$'000	2010 HK$'000 (Unaudited)
Loss (note 29)	**(13,057)**	(6,011)

13. Dividends

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends declared by the Company's subsidiary to its then shareholders during the reporting period are as follows:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Declared interim dividend	**–**	40,000

The interim dividend of HK$40,000,000 proposed by the Board of Directors of Sitoy Handbag to its then shareholders was approved on 31 December 2010.

14. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2011 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 784,103,609 (six months ended 31 December 2010: 748,800,000) in issue during the period, as adjusted to reflect the share issuance during the period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the period includes the 249,600,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Stock Exchange on 6 December 2011 and 3,132,000 ordinary shares issued in connection with the partially exercised over-allotment option on 30 December 2011.

14. Earnings Per Share (continued)

The calculation of basic earnings per share is based on:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**178,013**	154,918

	Six months ended 31 December	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**784,103,609**	748,800,000

* Arrived at on the assumption that the capitalization issue of 748,789,600 shares (note 28) had been effective since 1 July 2010.

No adjustment has been made to the basic earnings per share presented for the six months ended 31 December 2011 and 2010 as the Group had no potentially dilutive ordinary shares in issue during those periods.

15. Property, Plant and Equipment

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 July 2011	185,493	20,096	99,994	22,825	6,457	10,928	345,793
Additions	–	10,156	8,541	578	7	7,264	26,546
Transfers	17,503	–	407	–	–	(17,910)	–
Exchange realignment	4,857	575	2,451	372	70	224	8,549
At 31 December 2011	207,853	30,827	111,393	23,775	6,534	506	380,888
Accumulated depreciation:							
At 1 July 2011	10,917	7,825	29,490	10,667	2,891	–	61,790
Charge for the period	4,274	2,949	3,783	1,399	515	–	12,920
Exchange realignment	298	125	438	105	22	–	988
At 31 December 2011	15,489	10,899	33,711	12,171	3,428	–	75,698
Net carrying amount:							
At 31 December 2011	192,364	19,928	77,682	11,604	3,106	506	305,190
At 30 June 2011	174,576	12,271	70,504	12,158	3,566	10,928	284,003

15. Property, Plant and Equipment (continued)

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 July 2010	124,360	10,526	66,016	20,422	5,638	72	227,034
Additions	29,867	9,235	26,745	4,072	709	38,678	109,306
Transfers	23,930	–	4,012	71	–	(28,013)	–
Disposals	–	(190)	(202)	(2,297)	–	–	(2,689)
Exchange realignment	7,336	525	3,423	557	110	191	12,142
At 30 June 2011	185,493	20,096	99,994	22,825	6,457	10,928	345,793
Accumulated depreciation:							
At 1 July 2010	4,271	5,665	22,868	9,164	1,655	–	43,623
Charge for the year	6,352	2,225	6,275	3,662	1,212	–	19,726
Disposals	–	(190)	(202)	(2,277)	–	–	(2,669)
Exchange realignment	294	125	549	118	24	–	1,110
At 30 June 2011	10,917	7,825	29,490	10,667	2,891	–	61,790
Net carrying amount:							
At 30 June 2011	174,576	12,271	70,504	12,158	3,566	10,928	284,003
At 30 June 2010	120,089	4,861	43,148	11,258	3,983	72	183,411

The Group's land included in property, plant and equipment is situated in Hong Kong and is held under a medium term lease.

15. Property, Plant and Equipment (continued)

The net carrying amount of property, plant and equipment pledged as security for interest-bearing bank borrowings granted to the Group is as follows:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Buildings (note 27)	**1,628**	1,656

16. Prepaid Land Lease Payments

Group

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Cost:		
At beginning of the period/year	**21,025**	14,866
Additions	**–**	5,299
Exchange realignment	**541**	860
At end of the period/year	**21,566**	21,025
Accumulated amortization:		
At beginning of the period/year	**698**	302
Charge for the period/year	**222**	371
Exchange realignment	**19**	25
At end of the period/year	**939**	698
Net carrying amount:		
At end of the period/year	**20,627**	20,327

The leasehold lands are held under long term leases and are situated in Mainland China.

17. Deferred Tax

The movements in deferred tax assets and liabilities during the reporting period are as follows:

Deferred tax assets

Group

	Accruals and provisions	Accelerated tax depreciation	Provision against inventories	Temporary differences on prepaid land lease payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2010	304	812	2,327	7,892	11,335
Deferred tax credited/ (charged) to the income statement during the year	455	(104)	(1,636)	(172)	(1,457)
Exchange realignment	21	–	74	387	482
Gross deferred tax assets at 30 June 2011 and 1 July 2011	780	708	765	8,107	10,360
Deferred tax credited/ (charged) to the income statement during the period	(313)	–	1,005	(87)	605
Exchange realignment	14	–	32	208	254
At 31 December 2011	481	708	1,802	8,228	11,219

The amount of unrecognized tax losses as at 31 December 2011 was HK$35,182,000 (30 June 2011: HK$34,275,000).

17. Deferred Tax (continued)

Deferred tax liabilities

Group

	Unrealized loss arising from intra-group transactions HK$'000
At 1 July 2010	5,182
Deferred tax credited to the income statement during the year	(4,938)
Gross deferred tax liabilities at 30 June 2011 and 1 July 2011	244
Deferred tax charged to the income statement during the period	1,046
At 31 December 2011	1,290

Pursuant to the New Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. In estimating the withholding taxes on dividends expected to be distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008, the Directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

At 31 December 2011, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities arising from withholding taxes have not been recognized is approximately HK$136,429,000 (30 June 2011: HK$42,833,000).

18. Investments in Subsidiaries

Company

	As at 31 December 2011 HK$	As at 30 June 2011 HK$
Unlisted investments, at cost	**430,000,008**	8

Investment in a subsidiary as at 30 June 2011 represented the cost of the investment in Sitoy International Limited. Investments in subsidiaries as at 31 December 2011 represented the cost of the entire interests in Sitoy International Limited, Sitoy Handbag Factory Limited and Sitoy Investment International Limited.

19. Inventories

Group

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Raw materials	**144,092**	96,441
Work in progress	**217,274**	150,170
Finished goods	**111,859**	48,962
	473,225	295,573
Less: Provision against inventories	**(8,251)**	(3,736)
	464,974	291,837

20. Trade Receivables

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Trade receivables	**308,794**	239,860
Impairment	**–**	–
	308,794	239,860
Company		
Trade receivables	**–**	92
Impairment	**–**	–
	–	92

The Group's trading terms with its customers are mainly on credit. The Group grants different credit periods to customers. The credit period of individual customers is considered on a case-by-case basis. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Within 90 days	**296,849**	239,761
91 to 180 days	**11,945**	99
	308,794	239,860
Company		
Within 90 days	**–**	92

20. Trade Receivables (continued)

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Neither past due nor impaired	**243,560**	214,497
Past due but not impaired		
Less than 90 days	**65,234**	25,363
	308,794	239,860
Company		
Neither past due nor impaired	**–**	92

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

21. Prepayments, Deposits and Other Receivables

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Non-current portion:		
Prepayments for prepaid land lease payments and property, plant and equipment	**827**	1,104
Prepayment for other intangible asset	**2,072**	2,072
	2,899	3,176
Current portion:		
Prepayments	**5,087**	10,220
Deposits and other receivables	**16,581**	15,084
Value-added tax	**21,195**	24,967
	42,863	50,271
Total	**45,762**	53,447
Company		
Current portion:		
Prepayments	**–**	3,415
Deposits and other receivables	**518**	–
	518	3,415

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of other receivables approximate to their fair values.

22. Available-for-sale Investment

Group

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Unlisted debt investment, at fair value	**9,496**	9,609

During the six months ended 31 December 2011, the loss in respect of the Group's available-for-sale investment recognized in other comprehensive income amounted to HK$113,000 (six months ended 31 December 2010: loss of HK$532,000).

The available-for-sale investment was pledged as security for interest-bearing bank borrowings granted to the Group (note 27).

23. Cash and Cash Equivalents

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Cash and bank balances	**211,707**	79,190
Time deposits	**502,459**	1,200
Cash and cash equivalents	**714,166**	80,390
Company		
Cash and bank balances	**118,034**	629
Time deposits	**500,000**	–
Cash and cash equivalents	**618,034**	629

23. Cash and Cash Equivalents (continued)

The cash and bank balances of the Group denominated in RMB are as follows:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Denominated in RMB	**28,806**	11,728
Company		
Denominated in RMB	**–**	–

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

24. Balances with a Related Company and Subsidiaries

	Notes	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group			
Amount due from a related company:			
Trandy Leather Goods Handbag Factory Limited	(i)	**110**	540
Company			
Amounts due from subsidiaries	(ii)	**92,842**	397,551

Notes:

(i) The balance due from a related company is trade in nature. The balance is unsecured, interest-free and repayable on demand.

(ii) The balances due from subsidiaries are non-trade in nature. The balances are unsecured, interest-free and repayable on demand.

The carrying amounts of the balances with a related company and subsidiaries approximate to their fair values.

25. Trade Payables

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Trade payables	**230,701**	197,972

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

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Within 90 days	**220,511**	191,417
91 to 180 days	**8,171**	3,441
181 to 365 days	**2,019**	3,114
	230,701	197,972

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.

26. Other Payables and Accruals

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Payroll payable	**64,925**	48,332
Advances from customers	**257**	490
Accruals	**16,928**	15,544
Other payables	**37,392**	32,129
	119,502	96,495
Company		
Payroll payable	**314**	127
Accruals	**13,516**	11,185
Other payables	**27**	14
	13,857	11,326

The carrying amounts of other payables and accruals approximate to their fair values.

27. Interest-bearing Bank Borrowings

Group

	As at 31 December 2011		As at 30 June 2011	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Bank loans – secured	**On demand**	**36,119**	On demand	57,086
Current portion of long term bank loans – secured	**On demand**	**40,170**	On demand	48,815
		76,289		105,901
The bank loans bear interest at rates per annum in the range of	**BLR-2% to BLR-1% or HIBOR+1.5% to HIBOR+2.25%**		BLR-2% to BLR-1% or HIBOR+1.5% to HIBOR+2.25%	

BLR represents Best Lending Rate of the banks; HIBOR represents 3 – month Hong Kong Interbank Offered Rate.

The carrying amounts of the Group's bank loans approximate to their fair values.

27. Interest-bearing Bank Borrowings (continued)

At the end of the reporting period, the Group's bank loans were denominated in the following currencies:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
HK$	**40,170**	50,873
US$	**36,119**	55,028
	76,289	105,901

Certain banking facilities of the Group are subject to the fulfillment of covenants. In the opinion of the Directors, the Group has met all the financial covenants as stated therein as at 31 December 2011.

In addition, certain of the term loan agreements contain clauses which give the banks the right at their sole discretion to demand immediate repayment at any time irrespective of whether Sitoy Handbag has complied with the covenants and met the scheduled repayment obligations. The aggregate carrying amount of long term bank loans that contain a repayment on demand clause, which has been reclassified as current liabilities, are as follows:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Aggregate carrying amount	**40,170**	48,815

The Directors are of the opinion that the reclassification of the bank borrowings from non-current liabilities to current liabilities will not adversely affect the Group's financial and working capital position.

27. Interest-bearing Bank Borrowings (continued)

Without considering the breach of covenants and the banks' sole discretion to demand immediate repayment, the repayment schedule of the interest-bearing bank borrowings, based on the loan agreements, is as follows:

Group

	As at 31 December 2011		As at 30 June 2011	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Bank loans - secured	**2012**	**36,119**	2011	57,086
Current portion of long term bank loans - secured	**2012**	**17,290**	2011-2012	17,290
		53,409		74,376
Non-current				
Long term bank loans - secured	**2013-2014**	**22,880**	2012-2014	31,525
		76,289		105,901
Analyzed into:				
Bank loans repayable:				
Within one year or on demand		**53,409**		74,376
In the second year		**17,130**		17,290
In the third to fifth years, inclusive		**5,750**		14,235
		76,289		105,901

The Group regularly monitors its compliance with these covenants and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 37.

27. Interest-bearing Bank Borrowings (continued)

The above bank loans are secured by:

(i) A registered security over the Group's available-for-sale investment of HK$9,496,000 (30 June 2011: HK$9,609,000) (note 22);

(ii) A letter of undertaking from Sitoy Handbag not to create any debenture in favor of other banks without the banks' prior consent;

(iii) Various counter indemnities from Sitoy Handbag for issuance of a standby documentary credit; and

(iv) A fixed amount first legal charge for HK$4,600,000 over certain buildings of the Group with a net carrying amount of HK$1,628,000 as at 31 December 2011 (30 June 2011: HK$1,656,000) (note 15).

28. Share Capital

The movements in the authorized and issued share capital of the Company in the year ended 30 June 2011 are as follows:

	Notes	Number of ordinary shares	Nominal value HK$
Authorized:			
Ordinary shares of US$1 each as at 1 July 2010	(i)	50,000	390,000
Authorized share capital re-denominated to HK$0.10 each	(ii)	3,880,000	388,000
As at 30 June 2011		3,880,000	388,000
Issued and fully paid:			
Ordinary shares of US$1 each as at 1 July 2010		100	780
Issue of shares of HK$0.10 each	(iii)	10,000	1,000
Repurchase of shares of US$1 each	(iii)	(100)	(780)
Issue of shares of HK$0.10 each	(iv)	200	20
As at 30 June 2011		10,200	1,020

28. Share Capital (continued)

(i) The Company was incorporated in the Cayman Islands on 21 February 2008 with an authorized share capital of US$50,000 (equivalent to HK$390,000) divided into 50,000 ordinary shares of US$1 each.

(ii) Pursuant to the Board resolution dated 28 May 2011, the Company re-denominated its existing authorized share capital of US$50,000 divided into 50,000 shares of US$1 each to HK$388,000 divided into 3,880,000 shares of HK$0.10 each.

(iii) Pursuant to the Board resolution dated 28 May 2011, the Company allotted and issued 10,000 new shares to its then shareholders of HK$0.10 each for cash at par value to repurchase the 100 issued shares of US$1 at par value held by its then shareholders.

(iv) Pursuant to the Board resolution dated 28 May 2011, Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai assigned their respective portions of dividends declared by Sitoy Handbag to the Company. In consideration of such assignments, the Company allotted and issued 200 new shares of HK$0.10 each of which 130 shares were issued to Mr. Yeung Michael Wah Keung for his portion of the special dividend declared by Sitoy Handbag amounting to HK$260,000,000 and 70 shares were issued to Mr. Yeung Wo Fai for his portion of the special dividends declared by Sitoy Handbag amounting to HK$140,000,000, all credited as fully paid. The share premium arising from the 200 newly issued shares amounted to HK$399,999,980. These transactions were accounted for as major non-cash transactions during the year ended 30 June 2011.

28. Share Capital (continued)

The movements in the authorized and issued share capital of the Company in the six months ended 31 December 2011 are as follows:

	Notes	Number of ordinary shares	Nominal value HK$
Authorized ordinary shares of HK$0.10 each:			
As at 1 July 2011		3,880,000	388,000
Increase in authorized share capital on 15 November 2011	(i)	2,996,120,000	299,612,000
As at 31 December 2011		3,000,000,000	300,000,000
Issued and fully paid ordinary shares of HK$0.10 each:			
As at 1 July 2011		10,200	1,020
Issue of shares on 13 July 2011	(ii)	200	20
Capitalization issue of shares	(iii)	748,789,600	74,878,960
Issue of shares from initial public offering	(iv)	249,600,000	24,960,000
Issue of shares from partial exercise of an over-allotment option	(v)	3,132,000	313,200
As at 31 December 2011		1,001,532,000	100,153,200

28. Share Capital (continued)

(i) Pursuant to the written resolution of the shareholders of the Company passed on 15 November 2011, the Company increased its authorized share capital from HK$388,000 divided into 3,880,000 shares to HK$300,000,000 divided into 3,000,000,000 shares of HK$0.10 each.

(ii) Pursuant to the Board resolution dated 13 July 2011, the Company issued and allotted 130 shares and 70 shares of HK$0.10 each, all credited as fully paid, to Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai, respectively, in consideration of Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai transferring their 100% equity interests in Sitoy Investment and Sitoy Factory to the Company.

(iii) Pursuant to the written resolution of shareholders of the Company passed on 15 November 2011, conditional on the share premium account of the Company being credited pursuant to the listing of the Company's shares, the Company capitalized HK$74,878,960 standing to the credit of the share premium account of the Company to pay up in full 748,789,600 new ordinary shares of HK$0.10 each for allotment and issue to Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai.

(iv) In connection with the Company's initial public offering, 249,600,000 new shares of HK$0.10 each were issued at a price of HK$2.95 per share for a total cash consideration, before expenses, of approximately HK$736,320,000 on 6 December 2011.

(v) In connection with the partially exercised over-allotment option, 3,132,000 new shares of HK$0.10 each were issued at a price of HK$2.95 per share for a total cash consideration, before expenses, of approximately HK$9,239,400 on 30 December 2011.

29. Reserves

Group

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statements of changes in equity of the financial statements.

Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands. Under the constitutional documents and the Companies Law (Revised) of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their Board of Directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalized as issued capital.

29. Reserves (continued)

Company

	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2010	–	(87)	(87)
Total comprehensive income for the year	–	(9,553)	(9,553)
Issue of shares	400,000	–	400,000
At 30 June 2011 and 1 July 2011	400,000	(9,640)	390,360
Total comprehensive income for the period	–	(13,057)	(13,057)
Issue of shares in the Reorganization	40,000	–	40,000
Capitalization issue of shares	(74,879)	–	(74,879)
Issue of shares from initial public offering	711,360	–	711,360
Issue of shares from partial exercise of an over-allotment option	8,926	–	8,926
Share issue expenses	(35,326)	–	(35,326)
At 31 December 2011	1,050,081	(22,697)	1,027,384

30. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

Company

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Guarantees given to banks in connection with facilities granted to:		
Subsidiary	**370,170**	328,815

As at 31 December 2011, the banking facilities granted to a subsidiary subject to guarantees given to banks by the Company were utilized to the extent of HK$76,289,000 (30 June 2011: HK$105,901,000).

31. Pledge of Assets

Details of the Group's bank loans which are secured by the assets of the Group are included in notes 15, 22 and 27 to the financial statements.

32. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Within one year	**20,389**	10,874
In the second to fifth years, inclusive	**38,822**	25,606
After five years	**3,914**	1,543
	63,125	38,023

33. Commitments

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	As at 31 December 2011 HK$'000	As at 30 June 2011 HK$'000
Group		
Contracted, but not provided for:		
Property, plant and equipment	**3,479**	4,308
Other intangible asset	**4,027**	4,503
	7,506	8,811

34. Related Party Transactions

(a) The Group had the following transaction with a related party during the period:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Processing fee:		
Trandy Leather Goods Handbag Factory Limited	**7,496**	1,889

In the opinion of the Directors, the above related party transaction was carried out in the ordinary course of business and on normal commercial terms mutually agreed by the respective parties.

(b) Outstanding balance with a related company:

Details of the Group's balance with its related company at the end of the reporting period are disclosed in note 24 to the financial statements.

(c) Compensation of key management personnel of the Group:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Unaudited)
Short term employee benefits	**7,324**	3,526
Post-employment benefits	**200**	114
Total compensation paid to key management personnel	**7,524**	3,640

Further details of Directors' emoluments are included in note 9 to the financial statements.

35. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	As at 31 December 2011			As at 30 June 2011		
	Loans and receivables HK$'000	Available-for sale financial assets HK$'000	Total HK$'000	Loans and receivables HK$'000	Available-for sale financial assets HK$'000	Total HK$'000
Trade receivables	308,794	–	308,794	239,860	–	239,860
Financial assets included in prepayments, deposits and other receivables	16,581	–	16,581	15,084	–	15,084
Amount due from a related company	110	–	110	540	–	540
Available-for-sale investment	–	9,496	9,496	–	9,609	9,609
Cash and cash equivalents	714,166	–	714,166	80,390	–	80,390
	1,039,651	9,496	1,049,147	335,874	9,609	345,483

35. Financial Instruments by Category (continued)

Financial liabilities

	As at 31 December 2011 Financial liabilities at amortized cost HK$'000	As at 30 June 2011 Financial liabilities at amortized cost HK$'000
Trade payables	**230,701**	197,972
Financial liabilities included in other payables and accruals	**119,245**	96,005
Interest-bearing bank borrowings	**76,289**	105,901
	426,235	399,878

Company

Financial assets

	As at 31 December 2011 Loans and receivables HK$'000	As at 30 June 2011 Loans and receivables HK$'000
Trade receivables	**–**	92
Financial assets included in prepayments, deposits and other receivables	**518**	–
Amounts due from subsidiaries	**92,842**	397,551
Cash and cash equivalents	**618,034**	629
	711,394	398,272

35. Financial Instruments by Category (continued)

Financial liabilities

	As at 31 December 2011 Financial liabilities at amortized cost HK$'000	As at 30 June 2011 Financial liabilities at amortized cost HK$'000
Financial liabilities included in other payables and accruals	**13,857**	11,326

36. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

36. Fair Value Hierarchy (continued)

Assets measured at fair value:

Group

As at 31 December 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investment:				
Debt investment	9,496	–	–	9,496

As at 30 June 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investment:				
Debt investment	9,609	–	–	9,609

37. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and other receivables, which arise directly from its operations. The particular recognition methods adopted are disclosed in the accounting policy associated with each item in note 2.4 to the financial statements.

It is, and has been during the reporting period, the Group's policy that no trading in financial instruments should be undertaken.

37. Financial Risk Management Objectives and Policies (continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of the risks which are summarized below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using variable rate debts. At the end of the reporting period, 100% of the Group's interest-bearing borrowings bore interest at floating rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Group

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000
Six months ended 31 December 2011	100	(401)
	(100)	401
Year ended 30 June 2011	100	(550)
	(100)	550

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2011, 99.75% (year ended 30 June 2011: 99.94%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 42% (year ended 30 June 2011: 38%) of costs were denominated in the units' functional currency.

37. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

As at 31 December 2011, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed to was EUR1,600,000 (30 June 2011: EUR1,700,000), and their fair values are estimated to be nil (30 June 2011: nil). The contracts mainly related to the buying of US$ with maturities in first half year subsequent to 31 December 2011.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, EUR and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group

	Increase/ (decrease) in US$/EUR/RMB	**Increase/ (decrease) in profit before tax**
	%	HK$'000
Six months ended 31 December 2011		
If HK$ weakens against US$	5	15,309
If HK$ strengthens against US$	(5)	(15,309)
If HK$ weakens against EUR	5	273
If HK$ strengthens against EUR	(5)	(273)
If HK$ weakens against RMB	5	2,519
If HK$ strengthens against RMB	(5)	(2,519)
Year ended 30 June 2011		
If HK$ weakens against US$	5	8,445
If HK$ strengthens against US$	(5)	(8,445)
If HK$ weakens against EUR	5	365
If HK$ strengthens against EUR	(5)	(365)
If HK$ weakens against RMB	5	7,795
If HK$ strengthens against RMB	(5)	(7,795)

37. Financial Risk Management Objectives and Policies (continued)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, and therefore, the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investment, amount due from a related company and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2011, the Group had certain concentrations of credit risk as 22% (30 June 2011: 21%) and 71% (30 June 2011: 57%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period is as follows:

As at 31 December 2011	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	96,392	134,309	–	–	230,701
Other payables and accruals	119,245	–	–	–	119,245
Interest-bearing bank borrowings (note)	76,289	–	–	–	76,289
	291,926	134,309	–	–	426,235

As at 30 June 2011	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	56,527	141,445	–	–	197,972
Other payables and accruals	96,005	–	–	–	96,005
Interest-bearing bank borrowings (note)	105,901	–	–	–	105,901
	258,433	141,445	–	–	399,878

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Note: The related loan agreements contain repayment on demand clauses which give the banks at their sole discretion to demand immediate repayment at any time, and therefore, for the purpose of the above maturity profile, the total amounts are classified as "on demand". Based on the original repayment schedule, the maturity profile of the contractual undiscounted payments of the Group's interest-bearing bank borrowings at the end of the reporting period is as follows:

As at 31 December 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank borrowings subject to repayment on demand clauses: schedule repayments	–	40,702	13,565	23,312	77,579

As at 30 June 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank borrowings subject to repayment on demand clauses: schedule repayments	–	61,719	13,721	32,318	107,758

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Company

As at 31 December 2011	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables and accruals	13,857	–	–	–	13,857

As at 30 June 2011	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables and accruals	11,326	–	–	–	11,326

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's net debt consists of interest-bearing bank borrowings less cash and cash equivalents. Capital includes total equity.

37. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

At the end of the reporting period, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business.

As at 31 December 2011, the Group's cash and cash equivalents exceeded the interest-bearing bank borrowings. As such, no gearing ratio as at 31 December 2011 is presented. As at 30 June 2011, the gearing ratio was 5%.

38. Events After the Reporting Period

There were no significant events that took place after the reporting period and up to the date of the financial statements.

39. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on 27 February 2012.