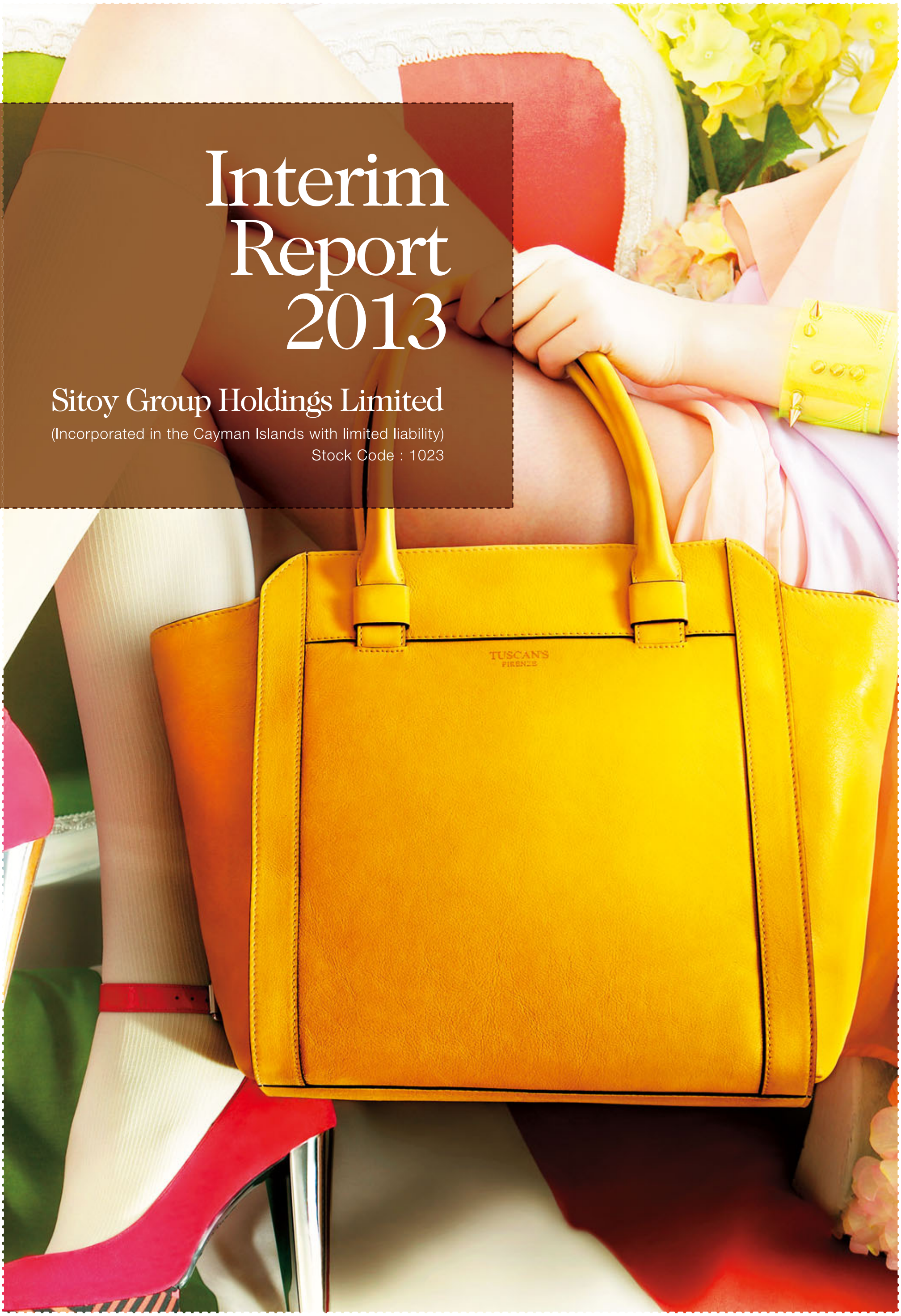
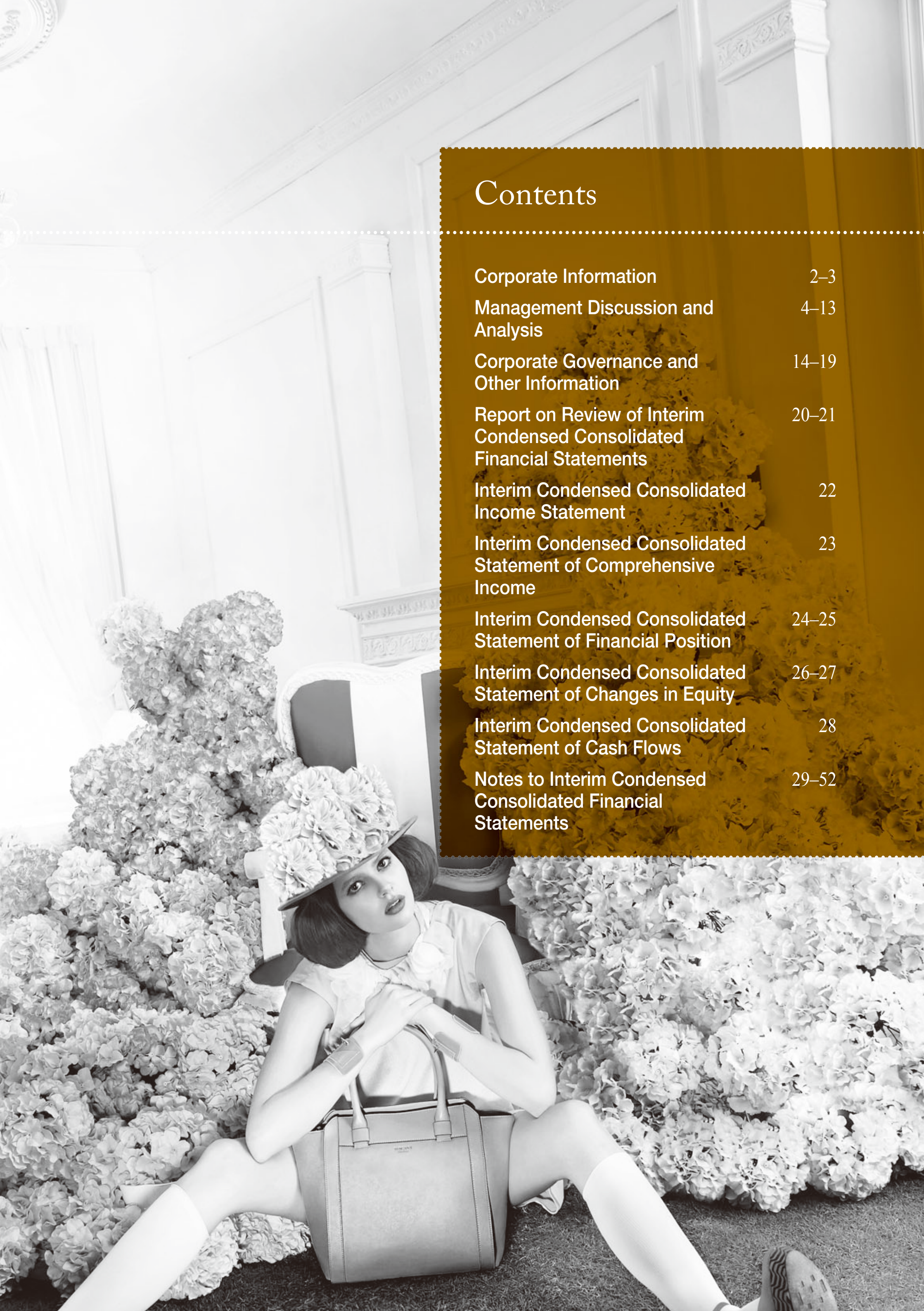
Interim Report 2013

Sitoy Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1023





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Corporate Information

Board of Directors

Executive Directors

Mr. Yeung Michael Wah Keung *(Chairman)*
Mr. Yeung Wo Fai *(Chief Executive Officer)*
Mr. Yu Chun Kau
(retired on 16 November 2012)
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
Ms. Lee Pui Shan

Company Secretary

Ms. Lee Pui Shan

Registered Office

Floor 4, Willow House
Cricket Square PO Box 2804
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

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

Remuneration Committee

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

Corporate Information

Nomination Committee

Mr. Yeung Michael Wah Keung *(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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
PO Box 1586
Grand Cayman KY1-1110
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

Management Discussion and Analysis

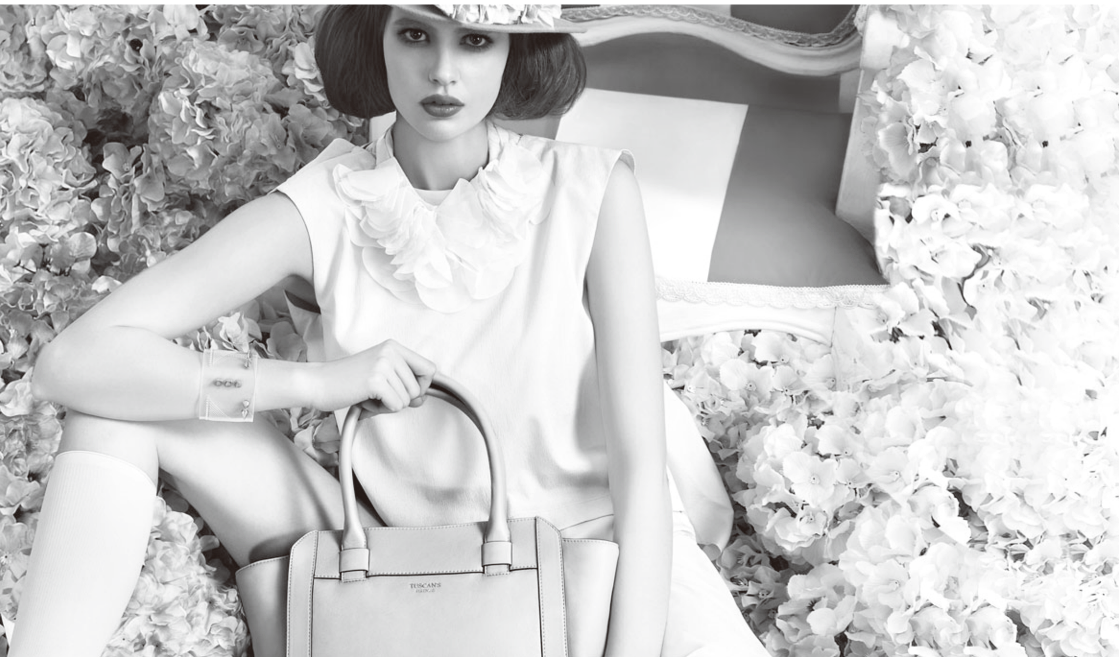
The board (the "Board") of directors (the "Directors") of Sitoy Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 31 December 2012.

Business Review

Manufacturing business

For the six months ended 31 December 2012, the Group manufactured and sold handbags, small leather goods and travel goods to its high-end and luxury brand customers. Due to the lingering concerns over the European sovereign debt crisis and the slow recovery of U.S. economy, production orders from brand customers remained flat and sales revenue has slightly increased by 4.5%.

During the period under review, amidst the uncertain global economic situation, the Group's brand customers became more stringent in identifying suppliers for product manufacturing. Leveraging on its quality services and long-term track record, as well as high level craftsmanship, production technology and timely delivery of goods, the Group



continued to be a trustworthy partner of its customers, establishing an even closer cooperation relationship with them. The Group has made its best endeavours to tap new opportunities under a challenging business environment, while it has maintained stable orders from existing customers, new sources of revenue was made by bringing in new international brand customers.

Global luxury-branded handbags industry is a market with fierce competition, luxury brands need to keep abreast of fast changing consumers' tastes and market trends and keep launching new products.

The Group possesses a wealth of experience and craftsmanship in the production of high-end leather goods, which enable it to grow hand in hand with brand customers and continuously upgrade itself to meet the higher requirements of the customers. During the period, the Group produced a wider variety of products with enhancement in craftsmanship and design, and shared with its customers the fruits of the global development of high-end luxury brands.

Retail business

The Group's retail business had achieved encouraging results during the period, revenue generated from this segment was HK$22.6 million which was 487.9% more than the corresponding period last year. As at the end of the reporting period, the Group owned and operated 37 retail stores, among which 7 were stand-alone retail stores and 30 were department store concession counters. Its retail stores spanned across Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Chongqing, Chengdu, Wuhan, Kunming, Wuhu, Jiangsu, Inner Mongolia and Shanxi, with those in the Southwest China regions recorded more remarkable performance.

During the period under review, the Group concentrated on the establishment of TUSCAN'S retail network in the second- and third-tier cities of the Eastern China and Northern China region. The Group has strategically chosen to open concession counters in department stores in order to achieve better cost efficiency.

Through making good use of its own production platform and support from its strong Creative Center and Research and Development Center ("R&D Center"), the Group is able to offer customers a variety of products with fast changing designs to increase the number of customers' visits and store traffic. Approximately 100 different designs and styles of handbags and small leather goods are generated every six month and four to six different designs and styles of handbags and small leather goods are introduced each month. Given the growing demand for quality fashion handbags and small leather goods in the PRC and Hong Kong, the Group expects that the sales volume and revenue from the retail business will increase continuously.

Manufacturing facilities

For the six months ended 31 December 2012, the Group maintained a stable production capacity through running more than 200 production lines. The Group's production scale and efficiency enabled it to meet the ever-changing demands of its customers.

The Group is now constructing the second expansion phase of the Yingde manufacturing facility. Upon the completion of the construction, not only the total production capacity of the Group can be increased but also the production of products variety. In addition, the Group upgraded its machinery and equipment during the period in order to enhance the operation efficiency.

These investments were 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 in-house Creative Center and R&D Center of the Group offer customers one-stop design, research, development and manufacturing solutions, which helps the Group to service its customers in response to fast changing consumer preferences and fashion trends as well as to develop and manufacture products with complex designs.

By offering customers with value-added services and high level of craftsmanship, it will strengthen its competitive edge in the industry, which in turn will attract and retain leading international high-end and luxury brands as its customers.

The use of proceeds from Initial Public Offering ("IPO")

The Group raised HK$718.2 million from the listing in December 2011. The following table sets forth the status of use of proceeds from IPO:

	IPO proceeds HK$'million	Percentage	Used up to 31 December 2012 HK$'million	Unused balance HK$'million
Second phase of Yingde manufacturing facility	251.4	35%	30.1	221.3
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	19.3	124.3
Expansion of retail business	251.4	35%	32.8	218.6
Working capital	71.8	10%	71.8	–
	718.2	100%	154.0	564.2

Prospect

Looking forward, the European sovereign debt crisis will continue to cast uncertainty over the global economy, a significant rebound of the US economy is yet to be seen. The Group expects the coming six months of the fiscal year will be much challenging. The Group will actively bring in more international high-end and luxury brands as its new customers, and increase the production proportion of high-end products. The Group will continue to expand the manufacturing business in travel goods and luxury bags and small leather goods for men, so as to diversify its revenue streams. In the meantime, the Group has invested in a production of hard case and handle system for travel goods in our manufacturing facility in Yingde. In view of the uncertainties operating environment and with the objective to maximize production efficiency, the Group will make considerable adjustment on the investment for expansion of the production lines.

For the retail business, TUSCAN'S brand has built a sound reputation in the Southwest China markets. In addition to reinforcing the core management team in the Southwest China region and increasing the point of sales, the Group plans to set up more established TUSCAN'S brand image stores. The Group will extend its footprints to new domestic markets based on the successful experience and operating model in the existing markets. Eastern China will be another key market of its retail business. The management is of the opinion that the higher consumption power in Eastern China, and the chic and trendy style of the middle class, are in line with the development of TUSCAN'S brand. The Group is actively extending the influence of TUSCAN'S brand in China's market.

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				
	2012		2011		
Manufacturing	HK$'000	Percentage	HK$'000	Percentage	Percentage change
Handbags	1,402,457	81.9%	1,405,952	86.8%	(0.2%)
Small leather goods	242,460	14.2%	187,820	11.6%	29.1%
Travel goods	44,665	2.6%	22,752	1.4%	96.3%
Subtotal	1,689,582	98.7%	1,616,524	99.8%	4.5%
Retail	22,611	1.3%	3,846	0.2%	487.9%
Total	1,712,193	100.0%	1,620,370	100.0%	5.7%

The revenue increased by 5.7% to HK$1,712.2 million for the six months ended 31 December 2012 from HK$1,620.4 million for the six months ended 31 December 2011. This increase was primarily due to an increase in small leather goods and travel goods turnover as a result of growing demand from the high-end and luxury brand customers, as well as the retail business.

Cost of sales

Costs of sales of the Group increased by 6.0% to HK$1,330.1 million for the six months ended 31 December 2012 from HK$1,254.6 million for the six months ended 31 December 2011. This increase was in line with the increase in revenue during the same period.

Gross profit and gross profit margin

Gross profit increased by 4.5% to HK$382.1 million for the six months ended 31 December 2012 from HK$365.8 million for the six months ended 31 December 2011, which was in line with the revenue growth during the same period. Gross profit margin has slightly decreased to 22.3% for the six months ended 31 December 2012 compared with 22.6% for the six months ended 31 December 2011 due to the pressure from the rising labor costs and raw materials, but the Group has all the time to upgrade its machinery and equipment to ease the pressure.

Selling and distribution costs

Selling and distribution costs increased by 35.0% to HK$57.8 million for the six months ended 31 December 2012 from HK$42.8 million for the six months ended 31 December 2011. The increase was primarily due to further expansion of retail business.

Administrative expenses

Administrative expenses increased by 3.4% to HK$109.1 million for the six months ended 31 December 2012 from HK$105.5 million for the six months ended 31 December 2011. The increase was in line with the increase in revenue during the same period.

Income tax expenses

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 31 December 2012 and 2011 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 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 16.5% for the six months ended 31 December 2012 (31 December 2011: 21.0%).

Profit for the period

Profit for the period increased by HK$11.7 million to HK$189.7 million for the six months ended 31 December 2012 from HK$178.0 million for the six months ended 31 December 2011. As a percentage of revenue, profit remained stable at 11.1% for the six months ended 31 December 2012 compared with 11.0% for the six months ended 31 December 2011.

Capital expenditure

For the six months ended 31 December 2012, the capital expenditure of the Group amounted to HK$43.8 million, primarily related to the construction of Yingde second phase manufacturing facilities, upgrading existing manufacturing facilities in Dongguan and Yingde as well as expansion of retail business.

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 2012.

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 2012 amounted to HK$784.8 million (30 June 2012: HK$746.8 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 was nil as at 31 December 2012 (30 June 2012: nil). No gearing ratio (calculated as net debt divided by total capital plus net debt) as at 31 December 2012 is presented because the Group's cash and cash equivalents exceeded the interest-bearing bank borrowings (30 June 2012: not applicable).

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 2012, 98.68% (year ended 30 June 2012: 99.56%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 39% (year ended 30 June 2012: 39%) of costs were denominated in the units' functional currency.

As at 31 December 2012, the Group had five foreign exchange forward contracts to purchase US$3.8 million in total, using Euro and no other financial derivatives outstanding. All the contracts have been matured in February 2013.

Pledge of Assets

As at 31 December 2012, HK$11.1 million property, plant and equipment, and available-for-sale investment were pledged as security for banking facilities available to the Group (30 June 2012: HK$11.2 million).

Inventory turnover days

Inventory turnover days slightly decreased to 46 days for the six months ended 31 December 2012 from 48 days for the year ended 30 June 2012. As the Group has strong control over the inventory level, the inventory turnover days remained stable.

Trade receivables turnover days

Trade receivables turnover days remained stable at 32 days for the six months ended 31 December 2012 compared with 30 days for the year ended 30 June 2012. 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 2012 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 remained the same at 35 days for the six months ended 31 December 2012 and for the year ended 30 June 2012. Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements

As at 31 December 2012, the Group did not have any material off-balance sheet arrangements or contingencies.

Employees

As at 31 December 2012, the Group had over 13,000 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 customers, such as minimum wage levels and maximum working hours. Moreover, the Group provides staff quarters for most of 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.

Dividend and Record Date

The Directors declared the payment of an interim dividend of HK6 cents (31 December 2011: nil) per share for the six months ended 31 December 2012 to the shareholders whose names appeared on the register of members of the Company after the close of business on 20 March 2013. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 20 March 2013. The interim dividend will be paid on or before 19 April 2013.

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 2012, 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 of Hong Kong Limited (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 positions

Name of Director	Capacity/ Nature of interest	Number of ordinary shares interested	Percentage of the Company's issued share capital
Mr. Yeung Michael Wah Keung	Beneficial owner/personal interest	486,720,000	48.60%
Mr. Yeung Wo Fai	Beneficial owner/personal interest	262,080,000	26.17%

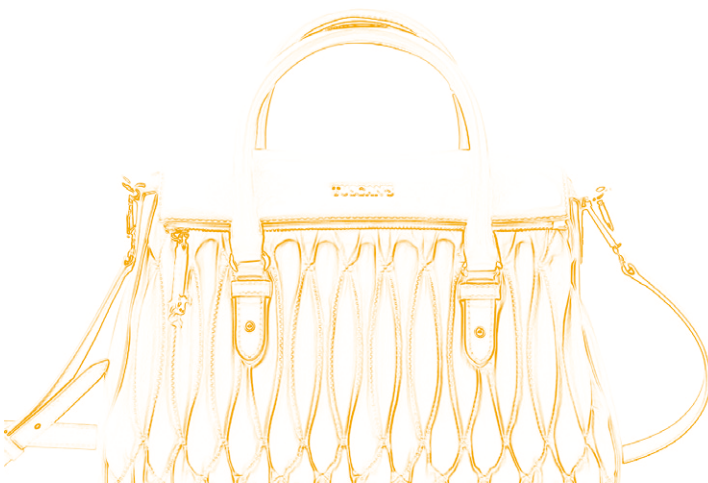
Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were 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' and Other Persons' Interests and Short Positions in the shares and underlying shares of the Company

As at 31 December 2012, so far as the Directors were aware, the following persons (other than the Directors or chief executive of the Company as disclosed above) 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:

Long positions

Name of Shareholder	Capacity/ Nature of interest	Number of ordinary shares interested	Percentage of the Company's issued share capital
Keen Achieve Limited	Beneficial owner(1)/Beneficial interest	64,912,000	6.48%
IDG-Accel China Capital L.P.	Interest in a controlled corporation(1)/Corporate interest	64,912,000	6.48%
IDG-Accel China Capital Associates L.P.	Interest in a controlled corporation(1)/Corporate interest	64,912,000	6.48%



Name of Shareholder	Capacity/ Nature of interest	Number of ordinary shares interested	Percentage of the Company's issued share capital
IDG-Accel China Capital GP Associates Ltd.	Interest in a controlled corporation[(1)]/Corporate interest	64,912,000	6.48%
Ho Chi Sing	Interest in a controlled corporation[(1)]/Corporate interest	64,912,000	6.48%
Zhou Quan	Interest in a controlled corporation[(1)]/Corporate interest	64,912,000	6.48%

Note:

1 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 35% by Mr. Ho Chi Sing and Mr. Zhou Quan respectively.

IDG-Accel China Capital L.P., IDG-Accel China Capital Associates L.P., IDG-Accel China Capital GP Associates Ltd., Mr. Ho Chi Sing 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 2012, 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' and Relevant Employees' 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 six months ended 31 December 2012.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than those in the Model Code.

No incident of non-compliance with these guidelines by the relevant employees was noted by the Company.

Corporate Governance

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

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the six months ended 31 December 2012.

Audit Committee

The Company established an audit committee on 15 November 2011 with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises Mr. Yeung Chi Tat (Chairman), Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk, all of whom are independent non-executive Directors. The audit committee has reviewed and discussed the interim results and the interim report of the Group for the six months ended 31 December 2012.

The interim report for the six months ended 31 December 2012 had not been audited, but had been reviewed by the Company's auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, Sale or Redemption of the Company's listed securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 December 2012.

Share Option Scheme

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. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period from the date of its adoption to 31 December 2012. There were no outstanding share options under the Share Option Scheme as at 31 December 2012.

Board of Directors

As at the date of this report, the executive Directors of the Company are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, Mr. Chan Ka Dig Adam and Mr. Yeung Andrew Kin; and the independent non-executive Directors of the Company are Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk.

By order of the Board
Sitoy Group Holdings Limited

Yeung Michael Wah Keung
Chairman

Hong Kong, 25 February 2013

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sitoy Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 22 to 52, which comprise the interim condensed consolidated statement of financial position as at 31 December 2012 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The Directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Interim Condensed Consolidated Financial Statements

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

25 February 2013

Interim Condensed Consolidated Income Statement

Six months ended 31 December 2012

	Notes	Six months ended 31 December 2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
REVENUE	4	1,712,193	1,620,370
Cost of sales		(1,330,113)	(1,254,619)
Gross profit		382,080	365,751
Other income and gains	4	16,221	10,874
Selling and distribution costs		(57,775)	(42,804)
Administrative expenses		(109,107)	(105,475)
Other expenses		(4,106)	(1,429)
Finance costs	6	–	(1,494)
PROFIT BEFORE TAX	5	227,313	225,423
Income tax expense	7	(37,584)	(47,410)
PROFIT FOR THE PERIOD		189,729	178,013
Attributable to:			
Owners of the Company		189,729	178,013
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	9	18.94	22.70

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

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December 2012

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
PROFIT FOR THE PERIOD	189,729	178,013
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value	(5)	(113)
Exchange differences on translation of foreign operations	5,208	7,885
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	5,203	7,772
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	194,932	185,785
Attributable to:		
Owners of the Company	194,932	185,785

Interim Condensed Consolidated Statement of Financial Position

31 December 2012

	Notes	As at 31 December 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	348,956	320,473
Prepaid land lease payments		20,176	20,290
Intangible asset		4,140	4,140
Deferred tax assets		12,999	15,751
Prepayments		4,276	350
Total non-current assets		390,547	361,004
CURRENT ASSETS			
Inventories		271,412	380,609
Trade receivables	11	298,241	304,627
Prepayments, deposits and other receivables		40,672	55,275
Available-for-sale investment		9,571	9,576
Time deposit with original maturity of more than three months		102,773	60,000
Cash and cash equivalents		784,846	746,798
Total current assets		1,507,515	1,556,885
CURRENT LIABILITIES			
Trade payables	12	197,405	182,586
Other payables and accruals		97,119	82,272
Tax payable		29,043	74,097
Total current liabilities		323,567	338,955
NET CURRENT ASSETS		1,183,948	1,217,930
TOTAL ASSETS LESS CURRENT LIABILITIES		1,574,495	1,578,934

Interim Condensed Consolidated Statement of Financial Position

31 December 2012

	Note	As at 31 December 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		935	–
Total non-current liabilities		935	–
Net assets		1,573,560	1,578,934
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	100,153	100,153
Reserves		1,473,407	1,478,781
Total equity		1,573,560	1,578,934

Yeung Michael Wah Keung
Director

Yeung Wo Fai
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2012

	Attributable to owners of the Company							
	Issued capital HK$'000	Share premium account* HK$'000	Merger reserve* HK$'000	Statutory reserve fund* HK$'000	Available-for-sale investment revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 July 2012	100,153	1,010,081	4,030	23,466	(447)	13,262	428,389	1,578,934
Profit for the period	–	–	–	–	–	–	189,729	189,729
Other comprehensive income for the period:								
Changes in fair value of available-for-sale investment, net of tax	–	–	–	–	(5)	–	–	(5)
Exchange differences on translation of foreign operations	–	–	–	–	–	5,208	–	5,208
Total comprehensive income for the period	–	–	–	–	(5)	5,208	189,729	194,932
Dividends	–	–	–	–	–	–	(200,306)	(200,306)
Transfer from retained profits	–	–	–	4,385	–	–	(4,385)	–
At 31 December 2012 (unaudited)	100,153	1,010,081	4,030	27,851	(452)	18,470	413,427	1,573,560

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2012

	Attributable to owners of the Company							
	Issued capital HK$'000	Share remium account* HK$'000	Merger reserve* HK$'000	Statutory reserve fund* HK$'000	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

* These reserve accounts comprise the consolidated reserves of HK$1,473,407,000 (31 December 2011: HK$1,289,302,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2012

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	329,267	(23,738)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(91,538)	(25,868)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(200,306)	683,065
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,423	633,459
Cash and cash equivalents at beginning of period	746,798	80,390
Effect of foreign exchange rate changes, net	625	317
CASH AND CASH EQUIVALENTS AT END OF PERIOD	784,846	714,166

Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2012

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 Floor 4, Willow House, Cricket Square, P. O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

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

Pursuant to a group 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 Main Board of the Stock Exchange on 6 December 2011.

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2012 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2012.

2.2 Significant Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 30 June 2012, except for the adoption of revised International Financial Reporting Standards ("IFRSs") as noted below.

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

IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these revised IFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

3. 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 that 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.

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.

3. Operating Segment Information (continued)

Six months ended 31 December 2012 (unaudited)

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,689,582	22,611	1,712,193
Intersegment sales	3,275	–	3,275
	1,692,857	22,611	1,715,468
Reconciliation:			
Elimination of intersegment sales			(3,275)
Total revenue			1,712,193
Segment results	238,769	(10,524)	228,245
Reconciliation:			
Corporate and other unallocated expenses			(932)
Profit before tax			227,313
Other segment information:			
Depreciation of items of property, plant and equipment	14,510	1,897	16,407
Amortization of prepaid land lease payments	223	–	223
Write-down of inventories to net realizable value	5,802	–	5,802
Operating lease rentals	3,774	4,234	8,008
Capital expenditure*	41,877	1,883	43,760

3. Operating Segment Information (continued)

Six months ended 31 December 2011 (audited)

	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

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

3. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2012 and as at the date of the last annual financial statements (30 June 2012).

As at 31 December 2012 (unaudited)

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment assets	1,557,884	43,986	1,601,870
Reconciliation:			
Elimination of intersegment receivables			(38,939)
Corporate and other unallocated assets			335,131
Total assets			1,898,062
Segment liabilities	317,597	44,705	362,302
Reconciliation:			
Elimination of intersegment payables			(38,939)
Corporate and other unallocated liabilities			1,139
Total liabilities			324,502

3. Operating Segment Information (continued)

As at 30 June 2012 (audited)

	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment assets	1,373,562	36,051	1,409,613
Reconciliation:			
Elimination of intersegment receivables			(23,214)
Corporate and other unallocated assets			531,490
Total assets			1,917,889
Segment liabilities	334,969	25,980	360,949
Reconciliation:			
Elimination of intersegment payables			(23,214)
Corporate and other unallocated liabilities			1,220
Total liabilities			338,955

3. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
Revenue		
North America	1,129,008	1,090,871
Europe	320,475	306,364
Mainland China, Hong Kong, Macau and Taiwan	159,507	148,850
Other Asian countries	102,628	68,820
Others	575	5,465
	1,712,193	1,620,370

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

3. Operating Segment Information (continued)

Geographical information (continued)

(b) *Non-current assets*

	As at 31 December 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Mainland China, Hong Kong, Macau and Taiwan	377,548	345,253

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

Information about major customers

For the six months ended 31 December 2012, revenue derived from sales by the manufacturing activities segment to two major customers respectively amounting to HK$815,786,000 (unaudited) and HK$363,290,000 (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.

For the six months ended 31 December 2011, revenue derived from sales by the manufacturing activities segment to two major customers respectively 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.

4. 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	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
Revenue		
Sale of goods	1,712,193	1,620,370
Other income and gains		
Net sample income and compensations from customers and suppliers	12,575	5,404
Exchange gains, net	–	4,237
Interest income	3,364	682
Government grants	–	424
Others	282	127
	16,221	10,874

5. Profit Before Tax

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

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
Cost of inventories sold	1,330,113	1,254,619
Employee benefit expense including Directors' remuneration		
– Wages and salaries	353,263	332,658
– Pension scheme contributions	11,895	7,292
	365,158	339,950
Depreciation of items of property, plant and equipment	16,407	12,920
Amortization of prepaid land lease payments	223	222
Operating lease rentals	8,008	7,103
Write-down of inventories to net realizable value	5,802	6,833
Initial public offering costs	–	16,117
Auditors' remuneration	1,732	979
Exchange losses/(gains), net	3,200	(4,237)

6. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
Interest on bank borrowings wholly repayable within five years	–	1,494

7. Income Tax Expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2011: 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 2011: 25%) of the assessable profit of the subsidiaries in Mainland China as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

7. Income Tax Expense (continued)

In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Sitoy (Yingde) Leather Products Co., Ltd. ("Sitoy Yingde") was entitled to a 50% reduction in CIT for the three years from 1 January 2010 to 31 December 2012. Therefore, with effective from 1 January 2013, the statutory tax rate is 25%.

The major components of income tax expense are as follows:

	Six months ended 31 December	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Current – Hong Kong		
Charge for the period	28,438	10,708
Adjustments in respect of current income tax of previous years	(832)	–
Current – Mainland China		
Charge for the period	6,222	36,261
Deferred tax	3,756	441
Total tax charge for the period	37,584	47,410

8. Dividends

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for the year ended 30 June 2012: HK20 cents (year ended 30 June 2011: nil)	200,306	–
Dividends on ordinary shares proposed for approval (not recognized as a liability as at 31 December):		
Proposed interim – HK6 cents per ordinary share	60,092	–

On 25 February 2013, the Board of Directors of the Company resolved to propose an interim dividend for the six months ended 31 December 2012 of HK6 cents (six months ended 31 December 2011: nil) per ordinary share out of the consolidated retained profits of the Group as at 31 December 2012.

9. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2012 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (six months ended 31 December 2011: 784,103,609) in issue during the period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 31 December 2011 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.

No adjustment has been made to the basic earnings per share presented for the six months ended 31 December 2012 and 2011 as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. Property, Plant and Equipment

During the six months ended 31 December 2012, the Group acquired property, plant and equipment with a cost of HK$43,760,000 (six months ended 31 December 2011: HK$26,546,000).

During the six months ended 31 December 2012, depreciation for property, plant and equipment was HK$16,407,000 (six months ended 31 December 2011: HK$12,920,000).

During the six months ended 31 December 2012, property, plant and equipment with a net book value of HK$681,000 (six months ended 31 December 2011: nil) were disposed of by the Group, resulting in a net loss on disposal of HK$577,000 (six months ended 31 December 2011: nil).

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

As at 31 December 2012, the net carrying amount of property, plant and equipment pledged as security for banking facilities granted to the Group was HK$1,569,000 (30 June 2012: HK$1,598,000).

11. Trade Receivables

	As at 31 December 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Trade receivables	298,241	304,627
Impairment	–	–
	298,241	304,627

The Group's trading terms with its customers are mainly on credit. The Group grants different credit periods to customers. The credit terms range from telegraphic transfers before shipment and letters of credit at sight to letters of credit and telegraphic transfers within 10 to 90 days. 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 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Within 90 days	290,609	281,728
91 to 180 days	7,632	22,899
	298,241	304,627

11. 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 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Neither past due nor impaired	264,670	270,879
Past due but not impaired		
Less than 90 days	30,571	33,748
91 to 180 days	3,000	–
	298,241	304,627

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

12. Trade Payables

	As at 31 December 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Trade payables	197,405	182,586

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 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Within 90 days	170,561	179,830
91 to 180 days	17,161	2,161
181 to 365 days	9,683	595
	197,405	182,586

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.

13. Share Capital

The movements in the authorized and issued share capital of the Company in the year ended 30 June 2012 are as follows:

	Notes	Number of ordinary shares	Nominal value HK$ (Audited)
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 30 June 2012		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 30 June 2012		1,001,532,000	100,153,200

(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.

13. Share Capital (continued)

(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.

The movements in the authorized and issued share capital of the Company in the six months ended 31 December 2012 are as follows:

	Number of ordinary shares	Nominal value HK$ (Unaudited)
Authorized ordinary shares of HK$0.10 each:		
As at 1 July 2012 and 31 December 2012	3,000,000,000	300,000,000
Issued and fully paid ordinary shares of HK$0.10 each:		
As at 1 July 2012 and 31 December 2012	1,001,532,000	100,153,200

14. Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2012 (30 June 2012: nil).

15. 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 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Within one year	19,701	18,114
In the second to fifth years, inclusive	29,928	30,559
After five years	820	2,361
	50,449	51,034

16. Commitments

In addition to the operating lease commitments detailed in note 15 above, the Group had the following capital commitments at the end of the reporting period:

	As at 31 December 2012 HK$'000 (Unaudited)	As at 30 June 2012 HK$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	43,292	945
Intangible asset	2,053	1,931
	45,345	2,876

17. Related Party Transactions

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

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
Processing fee:		
Trandy Leather Goods Handbag Factory Limited	–	7,496

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.

17. Related Party Transactions (continued)

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

	Six months ended 31 December	
	2012 HK$'000 (Unaudited)	2011 HK$'000 (Audited)
Short term employee benefits	7,827	7,324
Post-employment benefits	229	200
Total compensation paid to key management personnel	8,056	7,524

The related party transaction in respect of item (a) above also constitutes connected transaction or continuing connected transaction as defined in Chapter 14A of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

18. 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)

18. Fair Value Hierarchy (continued)

Assets measured at fair value:

Group

As at 31 December 2012 (unaudited)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investment:				
Debt investment	9,571	–	–	9,571

As at 30 June 2012 (audited)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investment:				
Debt investment	9,576	–	–	9,576

19. 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.

20. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on 25 February 2013.