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

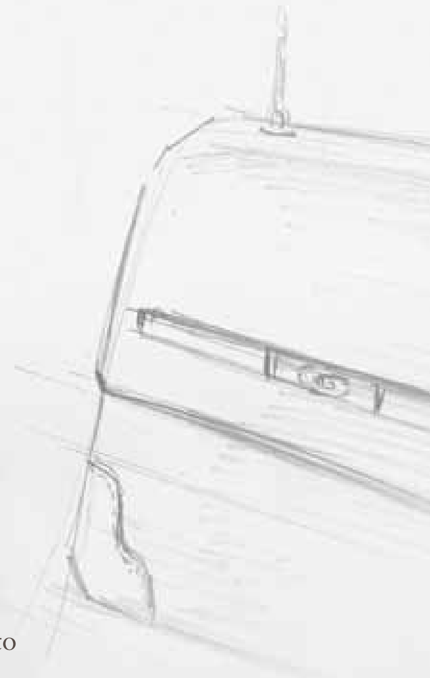
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：1023

ANNUAL REPORT 2014 年報

OUR VALUES

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. Since 2011, the Group entered into the rapidly growing China handbag retailing market and to become a vertically integrated handbag and small leather goods company.



CONTENTS

ABOUT TUSCAN'S

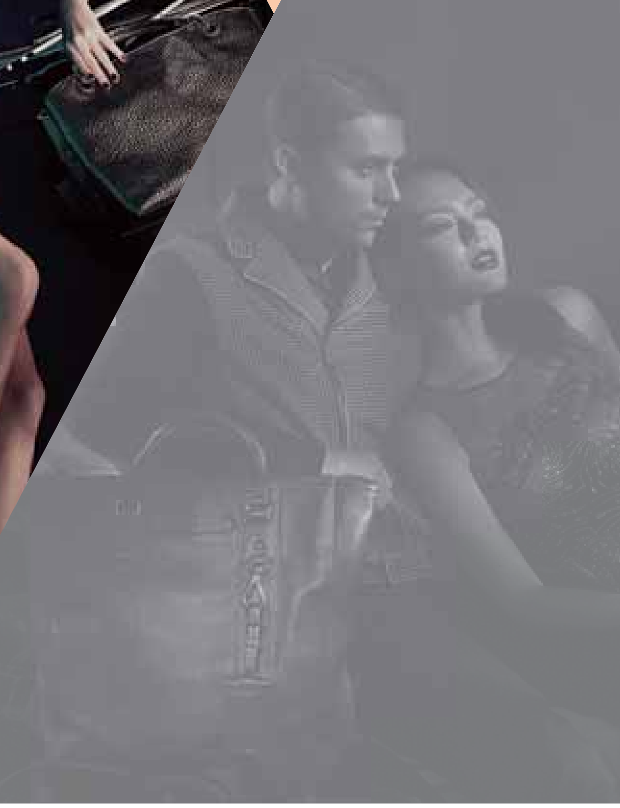
The Italian city of Florence in Tuscany is the cradle of traditional Italian leather craftsmanship. The city has been home to some of the shiniest names in fashion for centuries. Embodying the romantic atmosphere of the terroir, TUSCAN'S lays claim to the rich leatherwork heritage of Florence.

In 1974, Mr Antonio Perrotti and Mr Giovanni Starnini co-founded TUSCAN'S in a bid to make a tasteful and stylish statement with premium leather. Their passion for tradition helped develop TUSCAN'S into a kingdom of leather goods which is now expanding into Far East, incorporating Italian attitude into Oriental style.

Italy – a cultural landmark that prides itself on master craftsmanship, classic design and romantic Latin heritage;

China – the world's new centre of fashion with a taste for creative daring.

TUSCAN'S will spark off a transformation in style that puts personality and classic design to the fore.



ABOUT FASHION & JOY

Fashion & Joy is a brand of travel luggage and business accessories, designed and expertly crafted for bold young trend-setters who aspire stylish sophistication.

Gearing to the needs of fashion-conscious consumers with a passion for travel, Fashion & Joy presents a collection of luggage and business accessories that juxtapose urban chic and functionality. We believe in travelling in style. Fashion & Joy offers trend lovers, particularly young fashionistas, a unique and pioneering travel experience.

Every Fashion & Joy product is a symbol of the brand's core values: uniqueness, functionality and superb quality. Blending excellent design, functional features and individual character, Fashion & Joy travel goods are your dazzling Generation X statement. Travel is now a stage for your fashionable image.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yeung Michael Wah Keung *(Chairman)*
Mr. Yeung Wo Fai *(Chief Executive Officer)*
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 Michael Wah Keung
Mr. Yeung Wo Fai

COMPANY SECRETARY

Mr. Huen Po Wah

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square, P.O. 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

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

The Third Industrial District
Qiaotou Village, Houjie Town
Dongguan, Guangdong Province

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

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 ADVISERS

Guangdong Securities Limited
(terminated on 13 August 2013)
Proton Capital Limited
(appointed on 2 September 2013 and terminated on 30 September 2013)

PRINCIPAL BANKERS

The Hongkong 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, P.O. 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

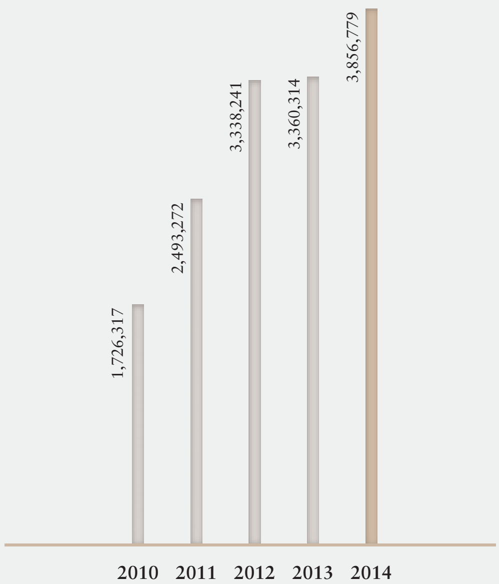
1023

COMPANY WEBSITE

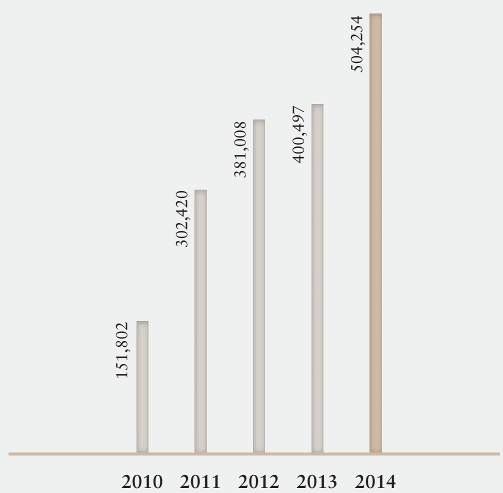
www.sitoy.com

FINANCIAL HIGHLIGHTS

REVENUE
HK$'000

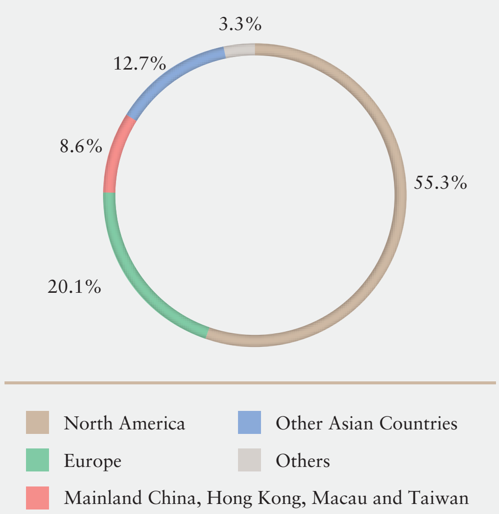


PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
HK$'000

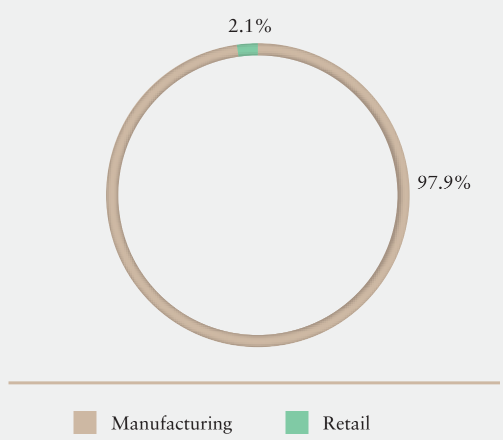


Consolidated revenue increased 14.8% year-on-year to HK$3,856.8 million

2014 REVENUE BY GEOGRAPHICAL SEGMENT



2014 REVENUE BY OPERATING SEGMENT



Geographically, North America and Europe continued to be our two largest markets

	Year ended 30 June		
	2014 HK$'000	2013 HK$'000	Change %
Revenue	**3,856,779**	3,360,314	+14.8%
Gross profit	**1,003,509**	784,532	+27.9%
Earnings before interest and taxation	**620,254**	489,155	+26.8%
Profit attributable to owners of the Company	**504,254**	400,497	+25.9%
Net assets per share (note 1) (approximately)	**HK$1.98**	HK$1.74	+13.8%
Basic earnings per share (note 2) (approximately)	**HK$0.50**	HK$0.40	+25.0%
Dividends per share (note 3)	**HK28 cents**	HK22 cents	+27.3%
Total assets	**2,450,709**	2,109,872	+16.2%
Net assets	**1,980,480**	1,740,754	+13.8%
Current ratio	**4.21 times**	4.56 times	-7.7%
Quick ratio	**3.58 times**	3.52 times	+1.7%
Gearing ratio	**N/A**	N/A	N/A
Return on equity	**25.5%**	23.0%	+10.9%
Return on total assets	**20.6%**	19.0%	+8.4%

Notes:

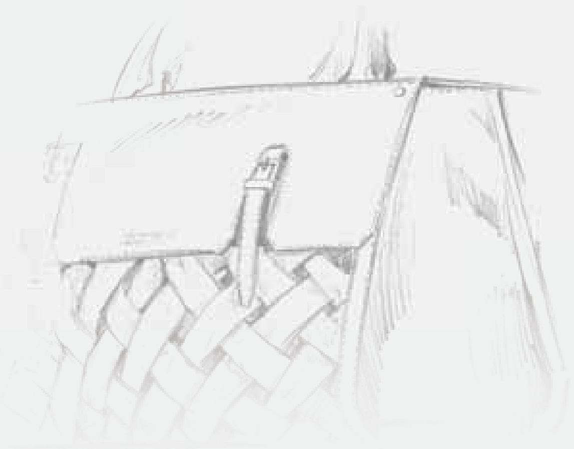
1. The calculation of the net assets per share amount is based on the net assets as at 30 June 2014 to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (30 June 2013: 1,001,532,000) in issue during the year.

2. The calculation of the basic earnings per share amount is based on the profit for the year ended 30 June 2014 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (30 June 2013: 1,001,532,000) in issue during the year.

3. The Directors recommended the payment of a final dividend of HK18 cents per share for the year ended 30 June 2014 (30 June 2013: HK16 cents), together with the interim dividend of HK10 cents per share for the period ended 31 December 2013 (31 December 2012: HK6 cents), brings the annual dividend of HK28 cents per share for the year ended 30 June 2014 (30 June 2013: HK22 cents). For more details, please refer to note 12 of the consolidated financial statements.

CHAIRMAN'S STATEMENT

Top Quality Contemporary Italian Leather Style Handbags



To the Shareholders,

It is my pleasure to present the annual results of Sitoy Group Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group" or "Sitoy Group") for the year ended 30 June 2014.

In the second half of 2013, the U.S. Federal Reserve announced its plan to taper off its asset-buying program and the economy of Europe and the United States recovered gradually. In China, the economy was facing the risk of a slowdown in growth. The country's central government took a series of adjusted macroeconomic control measures which were aimed at stabilizing economic growth and restoring market confidence. The world's gradual economic recovery bolstered the confidence of the internationally prestigious brands of high-end and luxury handbags in their sales performance. This led to a steady rise in the orders from the European and American customers, fuelling a growth in the Group's revenue. For the year ended 30 June 2014 (the "Year under Review"), the Group's revenue increased by 14.8% to its historical high of HK$3,856.8 million. Gross profit rose by 27.9% to HK$1,003.5 million. Gross profit margin increased to 26.0%. Profit attributable to shareholders grew by 25.9% to HK$504.3 million. The Board recommended payment of a final dividend of HK18 cents per share.

During the Year under Review, the Group seized the business opportunities by satisfying the various needs of its customers with its competitive advantages, including expertise in production, design and research and development of high-end handbags and small leather goods, sophisticated craftsmanship and quality service. As a result, revenue from our manufacturing business surged by 14.2% to HK$3,777.4 million during the Year under Review. While consolidating its relationship with existing customers, the Group actively sought new business to broaden its customer base and struck to achieve a more balanced mix of revenue from different brand owners. Moreover, we tried to diversify the source of income by extending our product mix to cover men's leather goods and business-travel and leisure-travel goods. We have thus become one of the few manufacturers with the capability of producing diverse products.

During the Year under Review, labor costs increased in China. The Group made efforts to reduce costs and mitigated the pressure of labour shortage in mainland China by upgrading its production machinery and equipment, while continuing to adopt the cost-plus pricing model. The automated production line for the luggage handle system and hard case underwent trial production in the fourth quarter of 2013 and will relieve the pressure of labor shortage.

For our retail business, we have mapped out a successful business model in just three years after the launch of the Italian TUSCAN'S brand in China in 2011, and have established a good reputation for the brand in southwestern and eastern China. Both the store network and sales volume of TUSCAN'S were gradually expanding. During the Year under Review, the Group continued to review the efficiency of store operation, optimized its store portfolio through relocation as well as further adjusted the proportions of its department stores and stand-alone retail stores. We achieved higher cost-effectiveness by raising the number of stand-alone retail stores in prime locations in the famous shopping areas in the regions. For the year ended 30 June 2014, the total number of retail stores for TUSCAN'S branded handbags increased to 70. Through intensive marketing of its brand and products, the Group bolstered the reputation and image of its brand. Meanwhile, in light of the rising popularity of online shopping, we teamed up with renowned online operators in China during the Year under Review to explore the potential of online sales channels. Thanks to all these factors, we recorded a significant growth of 47.9% in the revenue from our retail business to HK$79.4 million.

CHAIRMAN'S STATEMENT

To capitalize on the increasing demand for men's handbags and small leather goods in the market, we diversified our product portfolio by launching men's briefcase products in June this year. New lines of men's leather goods were well received after their initial launch. We will work more intensively on product research and development and promotional initiatives. Men's handbags and small leather goods are expected to become another growth driver of our retail business.

In addition, we saw huge market potential of travel accessories, and launched a new luggage brand – Fashion & Joy in June this year to tap into this market of the young generation via online sales. We have thus further expanded our product portfolio and boosted our competitiveness. In the coming fiscal year, we have the plan to establish Fashion & Joy retail network in the top-tier cities in Mainland China. We believe that this business segment will sustain long-term growth of our retail business.

Looking ahead, the financial year of 2014/2015 will be a very challenging time for the industry, which has begun consolidation after the high-end and luxury handbag brands had experienced rapid business expansion over the past years. A number of European and American luxury handbag brands recorded varying degrees of decrease in sales. This had undoubtedly brought a lot of pressure on Sitoy Group's manufacturing operations. The Group will seize opportunities in such challenging business environment by leveraging its competitive advantages. We will strengthen our relationships with the existing customers, and seek opportunities for cooperation with international brands that have potential for development. This will help develop new growth drivers for our business. To tap the enormous potential of travel products, the Group's production lines for the handle and hard case in Yingde, Guangdong Province have started operation. The factory in Yingde will increase its annual output when its production capacity expansion is completed by the end of 2014, and will thus support the development of the travel goods business.

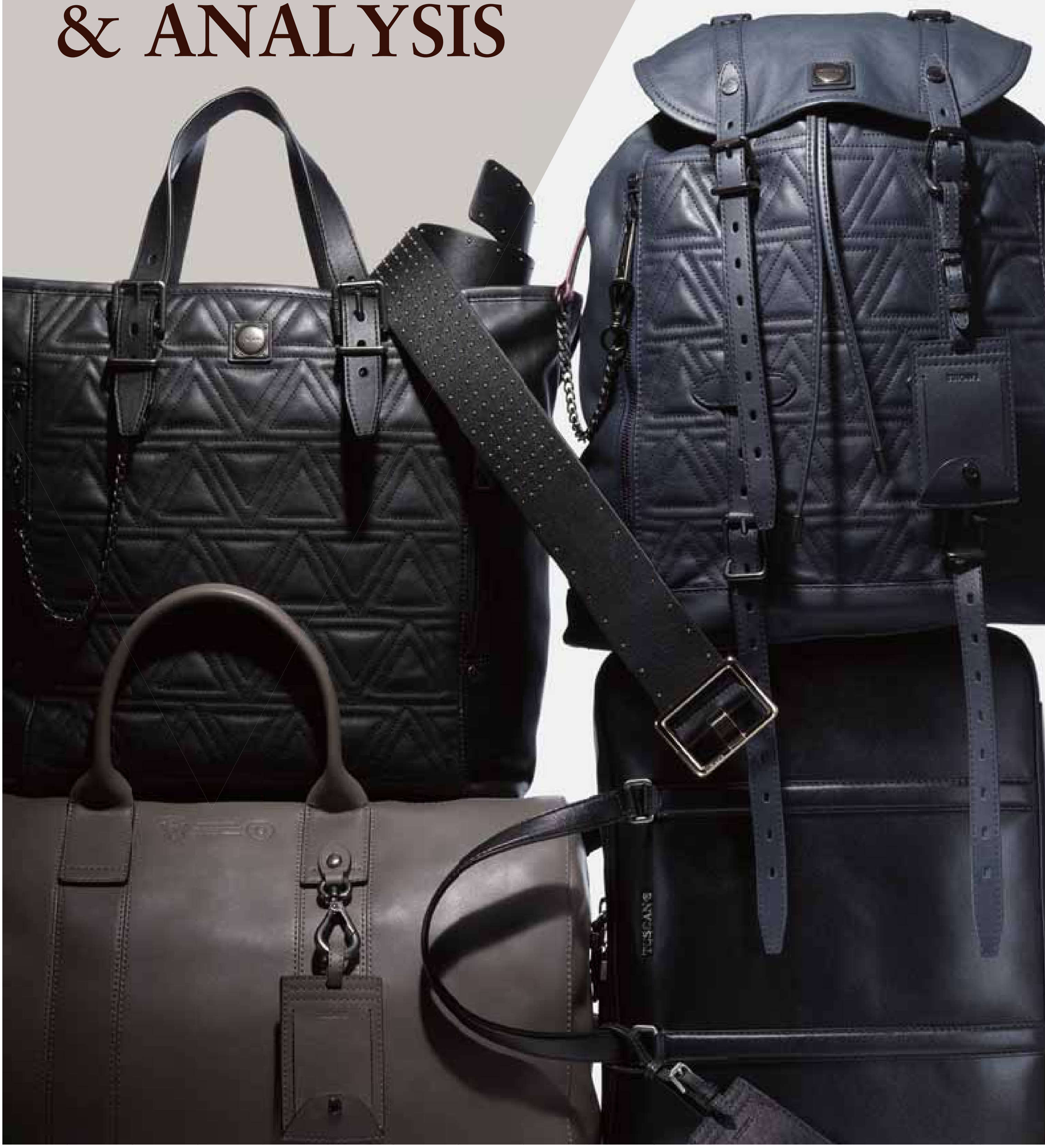
However, we see challenges and opportunities in the market. Although the Chinese government's ongoing campaign against extravagance has affected the luxury handbag industry, the rapidly emerging middle class and second-tier cities in the country constituted promising markets for new, mid-range brands. We will step up efforts to enhance product design and promote the TUSCAN'S brand. Through flexible use of marketing channels, we will enhance the recognition and image of the TUSCAN'S brand in mainland China and Hong Kong. We will also drive the development of our retail business, and will increase the proportion of the retail business in turnover. On the foundation of TUSCAN'S retail network of 70 stores, we plan to allocate about 10% of the brand's revenue to advertising and promotional activities in order to enhance the image of the brand. The Group is now operating two retail stores in Tsim Sha Tsui, Hong Kong. One of these retail stores is being refurbished, and will be opened in September this year. Besides, the Group has opened an image store in Beijing and will open another image store in Shanghai in August and September 2014 respectively. A series of marketing activities will be launched to celebrate its opening. We are determined to strengthen our retail business.

As a leading manufacturer of high-end and luxury brands and small leather goods in the world, the Group will continue to step up research and development of and increase to invest on its products and technologies. Meanwhile, the Group will continue to press ahead with our two-pronged strategy of developing the manufacturing and retail businesses, and will reinforce our retail business under the TUSCAN'S brand and push ahead the development plan of the Fashion & Joy brand. With this strategy, the Group will develop itself into one of a few manufacturers and retailers with the capability for producing both travel goods and handbag leather goods.

Finally, I would like to take this opportunity to express heartfelt thanks to our shareholders, clients, suppliers, customers and other parties for their steadfast support for the Group, and to our fellow Board members, management team and all staff members for their hard work. We will aspire to higher achievements in order to bring greater returns to the shareholders.

Yeung Michael Wah Keung
Chairman
Hong Kong
15 September 2014

MANAGEMENT DISCUSSION & ANALYSIS



BUSINESS REVIEW

Manufacturing business

The Group mainly engages in the manufacturing of handbags, small leather goods and travel goods to its high-end and luxury brand customers. For the year ended 30 June 2014, benefiting from the continued expansion in the retail business of the high-end and luxury brand customers, the Group achieved 14.2% growth in purchase orders from its customers.

In recent years, the competition of manufacturing business is not only limited to the suppliers in mainland China but also between Southeast Asian countries. In order to stay viable in the fierce competition of global manufacturing industry, the Group continued to enhance the materials supply chain sourcing. At the same time, the stable and experienced management team make use of their skills to develop various kinds of new products for their customers. As a result, the Group's quality of services and products enabled it to win the loyalty and trust from the international luxury brand customers which were demonstrated by increasing orders from its existing customers as well as new orders from the new international customers during the year.

Luxury brand owners kept launching new products to accommodate different customers. The Group took the advantage of the inherent competitive advantages to adapt to the ever-changing market demand and fashion trends. During the year, the Group has diversified its product mix through starting the production lines of retractable luggage handle system and hard case.

Looking ahead, with uncertainties in the operating environment together with keener competition of the manufacturing industry, the Group expects the coming year will be full of challenges. To gear up for the challenges, the Group will strengthen its core competitive advantages in order to bring in more international high-end and luxury brands as its new customers.

At the same time, the Group would like to utilise the production capacity of manufacturing retractable luggage handle system and hard case. Therefore it will put more effort to explore the growing travel goods market. In the coming year, it will actively build up the partnership with the high-end and luxury international travel goods retailers as well as develop mainland China market. The Group has the plans to increase the percentage of sales from high-end and luxury travel goods among its total revenue.

Retail business

The Group's retail business achieved encouraging results during the year. Revenue surged 47.9% year on year to HK$79.4 million which was primarily led by increasing total number points-of-sale. At the same time, same stores sales recorded a low double-digit increase for the fiscal year of 2014 even under a softer retail market in both mainland China and Hong Kong.

Throughout the year, the Group kept on expanding its footprints in the second and third-tier cities in Southwest, Eastern and Northern China. As at the end of the reporting period, the Group owned and operated 70 retail outlets, among which eight were stand-alone retail stores and 62 were concession counters in department stores. Its retail stores spanned across Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Chongqing, Chengdu, Tianjin, Yunnan, Anhui, Zhejiang, Jiangsu, Hubei and Hunan. For the development of its sales network, the Group has adopted a more prudent approach around new store openings. The emphasis will focus on the quality of individual stores as well as overall store portfolio.

Except for brick-and-mortar retail stores, the Group started cooperation with a leading e-commerce company in mainland China so as to diversify the distribution channel in the fourth-quarter of fiscal year 2014. The Group will continue to develop this flourishing channel in the future in order to enhance its market coverage.

MANAGEMENT DISCUSSION AND ANALYSIS

To cope with growing demand for fashionable and quality handbags and small leathers goods in mainland China and Hong Kong, the Group has reinforced the design team with a new design director on board in March 2014. Supported by its own production facilities, Creative Centre and Research and Development Centre ("R&D Centre") together with equipped design team, the Group will be able to provide customers with products of fast changing styles, thus increasing the frequency of customer's purchases and visitor traffic at its retail outlets and e-commerce channels. The Group produces handbags and small leather goods in approximately 100 different designs and styles every six months, and comes up with four to six new designs and styles for the handbags and small leather goods each month.

In the coming year, the Group has the plans to set up more established TUSCAN'S brand image stores. Besides, it also sets the budget of investing at least HK$10 million for promoting TUSCAN'S brand in mainland China and Hong Kong's market. Under the leadership of the marketing director who newly joined the Group in March 2014, more integrated promotional and marketing campaigns across the on-line and off-line sales channels will be launched.

The retail business development was funded with the proceeds from the initial public offering.

Manufacturing facilities

For the year ended 30 June 2014, the Group operated around 200 production lines and maintained stable production capacity. The Group's production scale and efficiency enabled it to meet its customers' dynamic requirements.

The second phase of the Yingde manufacturing facility already put in operation during the second half of fiscal year 2014 further expanded the Group's product range. In addition, the Group upgraded its machinery and equipment during the year in order to enhance the operational efficiency.

These investments were funded with the proceeds from the initial public offering.

PRODUCT RESEARCH, DEVELOPMENT AND DESIGN

The Group's in-house Creative Centre and R&D Centre offers its customers a one-stop solution for design, research, development and manufacturing, which helps it to adapt promptly to the fast-changing consumer preferences and fashion trends. They also enable the Group to develop and manufacture products with complex designs.

By offering customers with value-added services and first-rate craftsmanship, the Group will be able to enhance its competitiveness in the industry, and thus 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 its listing in December 2011. The following table sets forth the status of use of proceeds from IPO:

	IPO proceeds		Used up to 30 June 2014	Unused balance
	HK$' million	Percentage	HK$' million	HK$' million
Second phase of Yingde manufacturing facility	251.4	35%	123.4	128.0
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	46.6	97.0
Expansion of retail business	251.4	35%	131.2	120.2
Working capital	71.8	10%	71.8	–
	718.2	100%	373.0	345.2

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 Mainland China and Hong Kong.

The Group's revenue increased by 14.8% to HK$3,856.8 million for the year ended 30 June 2014 from HK$3,360.3 million for the year ended 30 June 2013. This increase was primarily due to increasing orders from existing customers and new orders from new customers of manufacturing business as well as further expansion of retail business.

Cost of sales

Cost of sales of the Group increased by 10.8% to HK$2,853.3 million for the year ended 30 June 2014 from HK$2,575.8 million for the year ended 30 June 2013. This increase was consistent with the increase in revenue.

Gross profit and gross profit margin

Gross profit increased by 27.9% to HK$1,003.5 million for the year ended 30 June 2014 from HK$784.5 million for the year ended 30 June 2013. Gross profit margin has increased to 26.0% for the year 30 June 2014 compared with 23.3% for the year ended 30 June 2013 which was mainly due to tighter cost control and change in customer mix in manufacturing business as well as further expansion of retail business which contributed higher gross profit margin.

Selling and distribution expenses

Selling and distribution expenses increased by 11.2% to HK$132.8 million for the year ended 30 June 2014 from HK$119.4 million for the year ended 30 June 2013. The increase was primarily due to further expansion of retail business.

Administrative expenses

Administrative expenses increased by 22.0% to HK$256.5 million for the year ended 30 June 2014 from HK$210.2 million for the year ended 30 June 2013. The increase was mainly due to further expansion of retail business and Yingde production plant of retractable luggage handle system and hard case.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong profits tax as applicable to the Group was 16.5% for the year ended 30 June 2014 and 2013 on the estimated assessable profits arising in or derived from Hong Kong during the relevant year.

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. Therefore, with effective from 1 January 2013, the statutory tax rate is 25%.

The effective tax rate of the Group was 18.7% for the year ended 30 June 2014 (30 June 2013: 18.1%).

Profit for the year

Profit for the year increased by HK$103.8 million to HK$504.3 million for the year ended 30 June 2014 from HK$400.5 million for the year ended 30 June 2013. As a percentage of revenue, profit increased to 13.1% for the year ended 30 June 2014 from 11.9% for the year ended 30 June 2013.

Capital expenditure

For the year ended 30 June 2014, the capital expenditure of the Group amounted to HK$85.1 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 of subsidiaries and associated companies during the year ended 30 June 2014.

The Group disposed of a subsidiary called Dongguan Sitoy Leather Products Company Limited during the year ended 30 June 2014. The consideration for the transaction was HK$0.5 million and the gain on disposal of the subsidiary was HK$2.5 million.

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 30 June 2014 amounted to HK$1,362.4 million (30 June 2013: HK$834.7 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 were nil as at 30 June 2014 (30 June 2013: nil), and accordingly no gearing ratio as at 30 June 2014 was presented (30 June 2013: 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 year ended 30 June 2014, 97.9% (30 June 2013: 98.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 45.5% (30 June 2013: 39.1%) of costs were denominated in the units' functional currency.

As at 30 June 2014, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2014, HK$22.9 million of time deposits were pledged as security for banking facilities available to the Group (30 June 2013: HK$12.0 million of a time deposit and HK$9.6 million of an available-for-sale investment).

Inventory turnover days

Inventory turnover days significantly decreased to 46 days for the year ended 30 June 2014 from 55 days for the year ended 30 June 2013. The decrease in inventory turnover days was due to the Group's tighter control over the stock level.

Trade receivables turnover days

Trade receivables turnover days sharply decreased to 29 days for the year ended 30 June 2014 compared with 37 days for the year ended 30 June 2013. The decrease in turnover days was mainly due to change in customers mix and the lower turnover in June 2014 compared to June 2013. The Group did not experience any significant credit risk due to strict credit control policies.

Based on past experience, the Directors of the Company (the "Directors") are of the opinion that no provision for impairment is necessary as at 30 June 2014 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 stable at 34 days for the year ended 30 June 2014 compared with 36 days for the year ended 30 June 2013. Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 30 June 2014, the Group did not have any material off-balance sheet commitments and arrangements. Save as disclosed in note 31 to the financial statements, the Group did not have any contingent liabilities as at 30 June 2014.

EMPLOYEES

As at 30 June 2014, 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 Company 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, sports site, library and internet centre for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the 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 centre 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.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Yeung Michael Wah Keung, aged 65, is an executive Director, the Chairman, a member of remuneration committee and the chairman of nomination committee of the Company. He was appointed as a Director on 21 February 2008. He has been with the Group since its establishment in the 1970's and is one of the founders. He is responsible for the Group's overall business development, strategic planning and corporate management.

He has over 40 years of experience in the handbag and leather goods industry, and has focused on manufacturing luxury branded handbags and small leather goods for more than 10 years. He is currently a director of each subsidiary of the Group. He is the brother of Mr. Yeung Wo Fai, an executive Director, the chief executive officer and a substantial shareholder of the Company. He is also the father of Mr. Yeung Andrew Kin, an executive Director of the Company. He is also a substantial shareholder of the Company within the meaning of part XV of the Securities and Futures Ordinance.

Mr. Yeung Wo Fai, aged 61, is an executive Director and the chief executive officer of the Company. He was appointed as a Director on 21 February 2008 and is also one of the founders. He has been with the Group since 1974. He is responsible for the overall daily operations of the Group's business. He is also responsible for product development, marketing and administration of the Group.

He has over 36 years of experience in the handbag and leather goods industry, and has focused on manufacturing luxury branded handbags and small leather goods for more than 10 years. He is currently a director of each subsidiary of the Group. He is the brother of Mr. Yeung Michael Wah Keung, an executive Director, the Chairman and a substantial shareholder of the Company. He is also the uncle of Mr. Yeung Andrew Kin, an executive Director of the Company. He is also a substantial shareholder of the Company within the meaning of part XV of the Securities and Futures Ordinance.

Mr. Chan Ka Dig Adam, aged 45, is an executive Director and head of sales and marketing of the Company. He is in charge of the sales and marketing division of the Group. He joined the Group in May 1989 and was appointed as a Director on 23 May 2011. He is responsible for the Group's sales and marketing, merchandising and customer relationship with the international high-end and luxury brand companies.

He has over 25 years of experience in the handbag and leather goods industry, and has experience in sales and marketing with luxury brand companies for more than 10 years. He has held various positions in the Group in relation to sales and marketing and merchandising prior to becoming the head of sales and marketing in 2004.

Mr. Yeung Andrew Kin, aged 40, is an executive Director and head of retail of the Company. He is in charge of the retail business of the Group. He joined the Group in September 1999 and was appointed as a Director on 23 May 2011. He is responsible for the Group's overall operations and strategic planning of the retail business. He is also responsible for the corporate management and business development of the retail business of the Group. He graduated from Simon Fraser University, British Columbia, Canada with a bachelor's degree of science in 1999.

He has over 15 years of experience in handbag and leather goods industry and has focused on strategic planning and business development for more than 9 years. Before he started focusing on the development of the retail business, he had held various positions in the Group in relation to sales and marketing and merchandising. He is currently a director of 東莞時代皮具製品廠有限公司 (Dongguan Shidai Leather Products Factory Co., Ltd.), 時代（英德）皮具製品有限公司 (Sitoy (Yingde) Leather Products Co., Ltd.), 時代（英德）箱包製品有限公司 (Sitoy (Yingde) Luggage Co., Ltd.) and 廣州美樂時皮具有限公司 (Guangzhou Sitoy Leather Goods Co., Ltd.), all of which are subsidiaries of the Company. He is the son of Mr. Yeung Michael Wah Keung, an executive Director, the Chairman and the substantial shareholder of the Company. He is also the nephew of Mr. Yeung Wo Fai, an executive Director, the chief executive officer and the substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chi Tat, aged 44, is an independent non-executive Director, the chairman of audit committee and a member of remuneration committee of the Company. He was appointed as an independent non-executive Director on 15 November 2011. He graduated from the University of Hong Kong with a bachelor's degree of business administration and obtained a master's degree in professional accounting with distinction from Hong Kong Polytechnic University.

He possesses extensive experience in auditing, corporate restructuring and corporate finance. He worked at a major international accounting firm for over 10 years. He is currently the president of the International Financial Management Association Hong Kong headquarters, the vice president of Hong Kong Wine Merchants' Chamber of Commerce and the financial controller and company secretary of Dynasty Fine Wines Group Limited (stock code: 828), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive director of Ta Yang Group Holdings Limited (stock code: 1991), ANTA Sports Products Limited (stock code: 2020) and Boer Power Holdings Limited (stock code: 1685), all of these companies are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Billion Industrial Holdings Limited (stock code: 2299), a company listed on the Main Board of the Stock Exchange, from 31 March 2011 to 21 May 2014.

He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant practicing in Hong Kong and a senior international finance manager of the International Financial Management Association.

Mr. Kwan Po Chuen, Vincent, aged 55, is an independent non-executive Director, a member of audit committee and nomination committee of the Company. He was appointed as an independent non-executive Director on 15 November 2011. He graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1983, from the University of London with a bachelor's degree in laws in 1987, from the University of Hong Kong with a master's degree in laws in 1992, from the University of London with a master's degree of science in financial management in 1998 and from the University of South Australia with a master's degree in advanced business practice in 2006.

He has some 30 years of experience in the legal and accounting profession with extensive experience in real estate, corporate finance and compliance matters. From 1983 to 1987, he worked as an accounting officer and later auditor of the Treasury and Audit Departments of the Hong Kong government and from 1988 to 1993, he worked as trainee solicitor and associate of Deacons. From 1993 to 1996, he was an executive director of Chuang's Consortium International Limited (stock code: 367), a company listed on the Main Board of the Stock Exchange. From 1997 to January 2012, he was the general manager (legal and secretarial) of Sino Land Company Limited (stock code: 83), a company listed on the Main Board of the Stock Exchange. He is currently a consultant of Messrs. Gallant Y T Ho & Co, principally focusing on corporate, corporate finance and tax-related matters.

He is a solicitor qualified in Hong Kong since September 1990. He is also qualified to practise laws in England and Australia since 1991. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales. He has also served as a member of the board of review (Inland Revenue Ordinance) from 2003 to 2011 and as a member of the then insider dealing tribunal from 2005 to 2009 and as a member of the advisory group on company formation, registration, re-registration and company meeting and administration provisions of the rewrite of Companies Ordinance from 2006 to 2009. He is also a member of both the company law committee and revenue law committee of the Law Society of Hong Kong. In 2014, he was appointed as the Chairman of the Financial and Regulatory Affairs Committee of the Chamber of Hong Kong Listed Companies. He has also written many articles that were published in Momentum, the official magazine of the Chamber of Hong Kong Listed Companies.

DIRECTORS' PROFILE

Mr. Lung Hung Cheuk, aged 67, is an independent non-executive Director, the chairman of remuneration committee, a member of audit committee and nomination committee of the Company. He was appointed as an independent non-executive Director on 15 November 2011. He is a retired chief superintendent of the Hong Kong Police Force. He joined the Hong Kong Police Force in 1966 as a probationary inspector at the age of 19. He was promoted to the rank of chief inspector in 1980, superintendent in 1986, senior superintendent in 1993 and chief superintendent in 1997. He had served in various police posts, namely Special Branch, Police Tactical Unit, Police Public Relations Branch and in a number of police divisions at management level. Prior to his retirement in April 2002, he was the commander of Sham Shui Po Police District.

He was also the secretary of the Superintendents' Association of the Hong Kong Police Force from 1993 and later the chairman from 1998 to 2001. The membership of the Superintendents' Association comprises the top management of the Hong Kong Police Force from superintendents to chief superintendents of the Hong Kong Police Force. He was awarded the Police Meritorious Service Medal by the Chief Executive of Hong Kong in 2000.

He is currently an independent non-executive director of Richfield Group Holdings Limited (stock code: 183), a company listed on the Main Board of the Stock Exchange. He was an independent non-executive director of iOne Holdings Limited (stock code: 982), a company listed on the Main Board of the Stock Exchange, from 18 September 2009 to 21 July 2014. He was also an independent non-executive director of Yunbo Digital Synergy Group Limited (formerly known as FlexSystem Holdings Limited, stock code: 8050), a company listed on the GEM Board of the Stock Exchange, from 7 May 2011 to 17 February 2012.

DIRECTORS' REPORT

The Directors of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are design, research, development, manufacturing, sales and retailing of handbags, small leather goods and travel goods. Particulars of the principal activities of the Company's subsidiaries are set out in note 4 to the consolidated financial statements of the Group for the year ended 30 June 2014.

RESULTS, DIVIDEND AND RECORD DATE

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of comprehensive income on page 40.

The Directors recommended the payment of a final dividend of HK18 cents (30 June 2013: HK16 cents) per share for the year ended 30 June 2014 to the shareholders whose names appeared on the register of members of the Company on 26 November 2014. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on 17 November 2014 (the "2014 AGM"), will be paid on or before 12 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 25 November 2014 and 26 November 2014 (both days inclusive), during which no share transfer will be registered. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited (the "Hong Kong Branch Registrar"), 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 24 November 2014.

RECORD DATE FOR 2014 AGM

The record date for determining shareholders of the Company who will be entitled to attend the 2014 AGM will be at the close of business on 12 November 2014. In order to be eligible to attend and vote at the 2014 AGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong Branch Registrar at the address stated above, for registration not later than 4:30 p.m. on 12 November 2014.

SHARE CAPITAL AND PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Details of the share capital of the Company for the year ended 30 June 2014 are set out in note 27 to the consolidated financial statements.

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 30 June 2014.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the year and distributable reserves of the Company as at 30 June 2014 are set out on page 42 to the consolidated statement of changes in equity and note 28 to the consolidated financial statements respectively.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

Details of movements during the year in property, plant and equipment and prepaid land lease payments of the Group are set out in notes 14 and 15 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers to the total revenue of the Group was 82.5% for the year ended 30 June 2014. The percentage of revenue attributable to the Group's largest customer to the total revenue of the Group was 50.8% for the year ended 30 June 2014.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases of the Group was 17.1% for the year ended 30 June 2014. The percentage of purchases attributable to the Group's largest supplier to the total purchases of the Group was 4.5% for the year ended 30 June 2014.

To the best of the Directors' knowledge, none of the Directors, their close associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Yeung Michael Wah Keung *(Chairman)*
Mr. Yeung Wo Fai *(Chief Executive Officer)*
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

In accordance with article 16.18(B) of the Company's articles of association, Mr. Yeung Wo Fai, Mr. Yeung Andrew Kin and Mr. Yeung Chi Tat retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors of the Company as regards their independence to the Company and considers that each of the independent non-executive Directors of the Company is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2014, 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 positions

Name of Directors	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	434,720,000	43.41%
Mr. Yeung Wo Fai	Beneficial owner/personal interest	234,080,000	23.37%

Save as disclosed above, as at 30 June 2014, 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.

DIRECTORS' REPORT

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2014, 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
Schroders Plc	Investment manager/Other interest	54,034,000	5.40%

Save as disclosed above, as at 30 June 2014, 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' INTERESTS IN COMPETING BUSINESS

As at 30 June 2014, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest directly or indirectly, subsisted at the end of the year or at any time during the year.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors of the Company since the date of the last Interim Report are set out below:

Mr. Yeung Chi Tat

(Independent Non-executive Director)

Mr. Yeung ceased to be an independent non-executive director of Billion Industrial Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2299) with effect from 21 May 2014.

Mr. Lung Hung Cheuk

(Independent Non-executive Director)

Mr. Lung resigned as an independent non-executive director of iOne Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 982) with effect from 21 July 2014.

Executive Director's Emoluments

Starting from 1 April 2014, the monthly salaries and allowance of executive Directors, namely, Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, Mr. Chan Ka Dig Adam and Mr. Yeung Andrew Kin, were adjusted from HK$309,620, HK$278,720, HK$107,120 and HK$101,770 to HK$322,000, HK$289,820, HK$112,500 and HK$112,500 respectively. Their emoluments were approved by the remuneration committee.

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, lapsed or cancelled by the Company under the Share Option Scheme during the period from the date of its adoption to 30 June 2014. There were no outstanding share options under the Share Option Scheme at the beginning and at the end of the financial year ended 30 June 2014.

The Board may, at its discretion, invite any Directors (excluding independent non-executive Directors), any senior managers or any employees (whether full-time or part-time) of each member of the Group provided that the Board shall have absolute discretion to determine whether or not one falls within the above categories; (together, the "Participants" and each a "Participant"), to take up options to subscribe for Shares at a price determined. In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

The total number of shares, which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering and the Capitalization Issue (as defined in the prospectus issued by the Company on 24 November 2011), unless the Company obtains a prior approval from its shareholders. The options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of total number of the shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company (or its subsidiary) if this will result in such limit being exceeded.

As at the date of this report, a total of 99,840,000 shares (representing approximately 9.97% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the Share Option Scheme.

Unless approved by shareholders of the Company in general meeting in the manner stipulated in the Listing Rules, the maximum entitlement for any one Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Where the Board proposes to grant any option to a Participant who is a substantial shareholder of the Company, or any of his/her/its respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to him/her/it in the 12-month period up to and including the proposed offer date of such grant (the "Relevant Date"): (a) representing in aggregate more than 0.1% of the total number of shares in issue on the Relevant Date; and (b) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date in excess of HK$5,000,000, such proposed grant of options must be approved by the shareholders of the Company in general meeting.

The period under which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be longer than ten years from the date on which an offer is made to the Participant pursuant to the Share Option Scheme. The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option. The amount payable upon acceptance of an offer of the grant of an option is HK$1.00. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

DIRECTORS' REPORT

The subscription price in respect of each share issued pursuant to the exercise of the options granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the offer date; and (c) the nominal value of a share. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 15 November 2011.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 34 to the consolidated financial statements. Under Chapter 14A of the Listing Rules, the Directors' service contracts with the Group are fully exempt continuing connected transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the financial year under review and up to the date of this report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 38 to the consolidated financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this report.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company to hold office until the conclusion of the next annual general meeting.

On behalf of the Board
Sitoy Group Holdings Limited

Yeung Michael Wah Keung
Chairman
Hong Kong, 15 September 2014

CORPORATE GOVERNANCE REPORT

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.

ADOPTION AND COMPLIANCE OF CORPORATE GOVERNANCE PRACTICES

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"), contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the year ended 30 June 2014.

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 year.

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

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

BOARD OF DIRECTORS

The Board comprises seven Directors, consisting of four executive Directors and three independent non-executive Directors. Biographical information of the Directors and the details of the composition of the Board are set out below and in the Corporate Information, Directors' Profile and Directors' Report respectively of this Annual Report.

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms.

The Board monitors the development and financial performance and sets strategic directions of the Group's business. Matters including material investment decisions, approving financial statements, declaration of dividend, are reserved to the Board. The management implements the Board's decisions, makes business proposals and reports to the Board on the overall performance of the Group. Daily operations and administration of the business are delegated to the executive Directors and the senior management of the Company.

CORPORATE GOVERNANCE REPORT

During the year, five physical Board meetings were held. Among others, the following key issues were discussed in the Board meetings:

– considered and approved the annual results and report of the Group for the year ended 30 June 2013;

– considered and discussed the quarter results of the Group for three months ended 30 September 2013;

– considered and approved the interim results and report of the Group for the six months ended 31 December 2013;

– considered and discussed the quarter results of the Group for nine months ended 31 March 2014; and

– considered the change of company secretary and authorized representative.

At least 14 days' notice of a regular Board meeting is given to all Directors to provide them with an opportunity to attend and all Directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are dispatched to the Directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The Chairman conducts the proceedings of the Board at all Board meetings. He ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the Directors to speak and express their views and share their concerns. All Directors have access to the Company Secretary, who is responsible for ensuring that the Board procedures are complied with and for advising the Board on compliance matters.

During the year, the respective attendances of the Directors at the above Board meetings and the annual general meeting held on 18 November 2013 are set out in the table below:

	Attendance	
Name of Directors	**Board Meetings**	**Annual General Meeting**
Executive Directors		
Yeung Michael Wah Keung *(Chairman)*	5/5	✓
Yeung Wo Fai	5/5	✓
Chan Ka Dig Adam	5/5	✓
Yeung Andrew Kin	5/5	✓
Independent Non-executive Directors		
Yeung Chi Tat	5/5	✓
Kwan Po Chuen, Vincent	5/5	✓
Lung Hung Cheuk	5/5	✓

The Company has received confirmations of independence from all independent non-executive Directors pursuant to rule 3.13 of the Listing Rules. All of them meet the independence criteria set out in rule 3.13 of the Listing Rules. Thus, the Board considers that they are independence.

The Company has also received confirmation from all Directors that they have given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations and an indication of the time involved.

Except for the family relationship between Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai and Mr. Yeung Andrew Kin as disclosed in Directors' Profile on pages 18 to 20 of this report, there is no financial, business, family or other material or relevant relationship between Board members.

DIRECTORS' TRAINING

During the year, all Directors participated in continuous professional development to develop and refresh their knowledge and skills by attending in-house briefings, attending training, giving talks and reading materials on topics relevant to the business of the Company and the director duties and responsibilities. The Directors had provided to the Company their records of training received. The areas of training received by each Director are set out in the table below.

	Areas of Training			
Name of Directors	Corporate strategy and business	Law and regulatory compliance	Directors' duties/ governance practices	Risk management
Executive Directors				
Mr. Yeung Michael Wah Keung *(Chairman)*	✓	✓	✓	✓
Mr. Yeung Wo Fai	✓	✓	✓	✓
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	✓	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and the Chief Executive Officer are held separately by Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai. The Chairman is responsible in leading the Board for the overall development strategy of the Group. The Chief Executive Officer is delegated with the authorities to manage the day-to-day operation of the Company.

NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years commencing on the listing date (i.e. 6 December 2011). Their terms of appointment shall be subject to the rotational retirement provision of the articles of association of the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of three Board committees, and details of which are set out below.

Each committee consists of Directors and has its terms of reference. The terms of reference of the Board committees setting out their roles and the authority delegated to them by the Board have been posted on the designated website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.sitoy.com.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and 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 annual report of the Group for the year ended 30 June 2014.

During the year, the audit committee had held two physical meetings. The respective attendances of the members of audit committee are presented as follows:

Members	Attendance
Mr. Yeung Chi Tat *(chairman)*	2/2
Mr. Kwan Po Chuen, Vincent	2/2
Mr. Lung Hung Cheuk	2/2

During the year, the audit committee had performed the following duties:

– reviewed and commented on the annual results and report of the Group for the year ended 30 June 2013;

– reviewed and commented on the interim results and report of the Group for the six months ended 31 December 2013;

– discussed with the external auditors about the financial matters of the Group, and reviewed their findings, recommendations and representations and the effectiveness of the Group's internal control system;

– discussed with the independent internal control reviewer about the internal control matters of the Group and reviewed the independent internal control reviewer's findings and recommendations;

– reviewed and recommended the reappointment of the external auditors; and

– reviewed the arrangement for employees of the Group to raise concerns about possible impropriety in financial reporting, internal control and other matters.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors.

A member of the nomination committee shall abstain from voting and shall not be counted in the quorum of a meeting in respect of the resolution where he or any of his associates has any material interest, including the recommendation on appointment of such person as a Director. The nomination committee comprises executive Director, Mr. Yeung Michael Wah Keung (chairman) and the independent non-executive Directors, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk.

During the year, the nomination committee had held one physical meeting. The respective attendance of the members of nomination committee is presented as follows:

Members	Attendance
Mr. Yeung Michael Wah Keung *(chairman)*	1/1
Mr. Kwan Po Chuen, Vincent	1/1
Mr. Lung Hung Cheuk	1/1

During the year, the nomination committee had performed the following duties:

– reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– assessed the independence of independent non-executive Directors; and

– reviewed and made recommendation to the Board on re-election of retiring Directors.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Board Diversity Policy") on 3 June 2013.

Below is the summary of the Board Diversity Policy:

The Company recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional, industry experience, background, race, gender, culture, personality, work-style and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.

The Nomination Committee discusses annually the measurable objectives for achieving diversity on the Board taking into account the Company's business model and specific needs. During the year, the Nomination Committee reviewed the existing composition of the Board and highlighted the importance of maintaining an appropriate balance around the Board table through a diverse mix of skills, experience, knowledge and background to complement the Company's corporate strategy. Gender diversity is a significant element of this. The Board is committed to ensuring that women have an equal chance with men of developing their careers with the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the CG Code. The remuneration committee, with delegated responsibility, determines the remuneration package of individual executive Director and senior management of the Group and makes recommendations on the remuneration of non-executive Directors. The Board retains its power to determine the remuneration of non-executive Directors (including independent non-executive Directors).

The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. A member of the remuneration committee shall abstain from voting and shall not be counted in the quorum of a meeting in respect of the resolution regarding the remuneration payable to him. The remuneration committee comprises the independent non-executive Directors, Mr. Lung Hung Cheuk (chairman) and Mr. Yeung Chi Tat, and the executive Director, Mr. Yeung Michael Wah Keung.

During the year, the remuneration committee had held one physical meeting. The respective attendance of the members of remuneration committee is presented as follows:

Members	Attendance
Mr. Lung Hung Cheuk *(chairman)*	1/1
Mr. Yeung Michael Wah Keung	1/1
Mr. Yeung Chi Tat	1/1

During the year, the remuneration committee had performed the following duties:

– reviewed and made recommendation on policy and structure for Directors' and senior management's remuneration;

– reviewed and approved the management's remuneration proposals with reference to the corporate goals and objectives of the Board;

– reviewed and determined on the remuneration packages of individual executive Director and senior management; and

– reviewed and approved year end bonus to the executive Directors.

REMUNERATION POLICY

The remuneration of the employees and the Directors holding of offices of the Group were based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of the employees including executive Directors generally consists of:

– fixed salary/allowance – which is set according to the duties, responsibilities, skills, experiences and market influences;

– pension – which is based on the Mandatory Provident Fund Contribution Scheme or the local statutory pension scheme;

- short-term variable incentive – which may include commission, discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;

- long-term variable incentive – which may include share options designed to encourage long-term commitment; and

- other benefits in kind – which may include accommodation, company car and related services.

The remuneration of independent non-executive Directors was fixed, payable on quarterly basis.

CORPORATE GOVERNANCE FUNCTION

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regularity requirements.

The Board has undertaken the day-to-day responsibility for all corporate governance function of the Group. All members of the Board are responsible for performing the corporate governance duties set out in the written terms of reference adopted by the Board.

During the year, the Board reviewed the Company's policy and practices on compliance with legal and regulatory requirements, the compliance with the CG Code for the year ended 30 June 2013 and disclosure of this corporate governance report, as well as the code of conduct and compliance manual (if any) applicable to employees and Directors.

On 15 September 2014, the Board reviewed the Company's compliance with the CG Code for the year and disclosure in this Corporate Governance Report.

AUDITORS' REMUNERATION

The remunerations in respect of audit and non-audit services for the year ended 30 June 2014 provided by the Company's auditors, Ernst & Young, are as follows:

	HK$'000
Audit services	2,500
Non-audit services – tax consultancy services fee	98
Total	2,598

CORPORATE GOVERNANCE REPORT

ACKNOWLEDGE OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. In preparing the financial statements for the financial year under review, the Directors have:

– based on a going concern basis;

– selected suitable accounting policies and applied them consistently; and

– made judgments and estimates that were prudent, fair and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report from pages 37 to 38 of this report.

INTERNAL CONTROL

The Board is responsible for establishing, maintaining and reviewing an effective system of internal control and safeguarding the assets and the interests of the Group and the shareholders of the Company as well.

The Group has established policies and procedures for approval and control of expenditures. Pursuant to a risk-based methodology, the Board plans its internal control review with resources being focused on higher risk areas. Internal control review has been conducted on ongoing basis to ensure that the policies and procedures in place are adequate. Any findings and recommendations would be discussed by the management and followed up properly and timely.

The Directors had engaged SHINEWING Risk Services Limited to perform an independent review on the internal control systems of the Group. The review report showed that the Group maintained an adequate and effective internal control system and no major control deficiency had been identified. The scope and findings of the review had been reported to and reviewed by the audit committee.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining effective communication with the shareholders of the Company. The Company establishes various communication tools to ensure the shareholders of the Company are kept well informed of timely information of the Company. These include the annual general meeting, extraordinary general meetings, the annual and interim reports, announcements, circulars and notices. Such documents are accessible on the Company's website at www.sitoy.com.

COMPANY SECRETARY

The Company has engaged and appointed Mr. Huen Po Wah, a representative from an external company secretarial services provider, as the company secretary of the Company. The primary contact person with the company secretary of the Company is Mr. Yeung Wo Fai, Chief Executive Officer. Mr. Huen has confirmed that he has taken no less than 15 hours of relevant training.

CONSTITUTIONAL DOCUMENTS

The Company has published its amended and restated memorandum and articles of association on the designated website of the Stock Exchange and the Company's website. During the year, there was no alteration on the constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

(a) Procedures for convening of an extraordinary general meeting and putting forward proposals at shareholders' meeting

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the articles of association of the Company, (i) two or more shareholders who hold in aggregate not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company or (ii) any one shareholder which is a recognised clearing house (or its nominee(s)) and holds not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company, may deposit a written request (the "Written Requisition") at the head office and principal place of business in Hong Kong of the Company (at 4–5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong) for attention of the Company Secretary to request the Board to convene an extraordinary general meeting of the Company. The Written Requisition should state the full name of the requisitionist(s), the matter(s) and the proposed resolution(s) to be considered at the general meeting of the Company, and must be signed by all the requisitionist(s).

The Board shall consider the Written Requisition and, if thought fit, shall within 21 days from the date of deposit of the Written Requisition proceed to convene a general meeting to be held within such number of days in accordance with the articles of association of the Company and in compliance with the requirements of the Listing Rules. Pursuant to the articles of association of the Company, an annual general meeting of the Company and an extraordinary general meeting of the Company called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting of the Company shall be called by not less than 14 days' notice in writing. Pursuant to the CG Code, written notice of an annual general meeting of the Company and written notice of an extraordinary general meeting of the Company shall be sent by the Company to all Shareholders at least 20 clear business days and 10 clear business days respectively before the meeting. Business day under the Listing Rules means any day on which the Stock Exchange is open for business of dealing in securities.

If the Board does not within 21 days from the date of deposit of the Written Requisition to convene a general meeting to be held within such number of days in accordance with the articles of association of the Company and in compliance with the Listing Rules, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the Written Requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene a general meeting shall be reimbursed to them by the Company.

(b) Procedures for members to propose a person for election as a director of the Company

The procedures for the shareholders of the Company to propose a person for election as a director of the Company are available and accessible on the Company's website at www.sitoy.com.

CORPORATE GOVERNANCE REPORT

(c) **Procedures for directing enquires to the Company**

To direct enquiries to the Board, the shareholders of the Company should submit his/her/its enquires in writing with contact details (including, your registered name, address and telephone number, etc.) to the Company Secretary at the following:

By post to the head office and principal place of business in Hong Kong at 4–5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.
Fax: (852) 2343 2808

(d) **Matters relating to share registration**

For share registration related matters, such as share transfer and registration, change of name and address of shareholders of the Company, loss of share certificates or dividend warrants, the shareholders of the Company can contact the Hong Kong share registrar and transfer office at the following:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2529 6087

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 39 to 95 which comprise the consolidated and company statements of financial position as at 30 June 2014, 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 year 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.

INDEPENDENT AUDITORS' REPORT

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 30 June 2014, and of the Group's profit and cash flows for the year 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.

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

15 September 2014

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2014

		Year ended 30 June	
	Notes	2014 HK$'000	2013 HK$'000
REVENUE	6	**3,856,779**	3,360,314
Cost of sales		**(2,853,270)**	(2,575,782)
Gross profit		**1,003,509**	784,532
Other income and gains	6	**19,040**	43,707
Selling and distribution expenses		**(132,769)**	(119,351)
Administrative expenses		**(256,492)**	(210,217)
Other expenses		**(13,034)**	(9,516)
PROFIT BEFORE TAX	7	**620,254**	489,155
Income tax expense	10	**(116,000)**	(88,658)
PROFIT FOR THE YEAR		**504,254**	400,497
Attributable to:			
Owners of the Company	11	**504,254**	400,497
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	13	**50.35**	39.99

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2014

		Year ended 30 June	
	Note	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**504,254**	400,497
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Changes in fair value		**36**	47
Reclassification adjustments for loss in the consolidated income statement – loss on disposal	7	**364**	–
Exchange differences on translation of foreign operations		**(4,530)**	21,674
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(4,130)**	21,721
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**500,124**	422,218
Attributable to:			
Owners of the Company	11	**500,124**	422,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**428,837**	387,399
Prepaid land lease payments	15	**19,924**	20,309
Intangible asset	16	**4,140**	4,140
Deferred tax assets	17	**17,084**	13,142
Prepayments	21	**108**	10,345
Total non-current assets		**470,093**	435,335
CURRENT ASSETS			
Inventories	19	**299,024**	382,236
Trade receivables	20	**229,307**	373,924
Prepayments, deposits and other receivables	21	**66,994**	62,057
Available-for-sale investment	22	**–**	9,623
Pledged time deposits	23	**22,929**	12,000
Cash and cash equivalents	23	**1,362,362**	834,697
Total current assets		**1,980,616**	1,674,537
CURRENT LIABILITIES			
Trade payables	25	**202,661**	192,518
Other payables and accruals	26	**120,256**	107,707
Tax payable		**147,295**	66,965
Total current liabilities		**470,212**	367,190
NET CURRENT ASSETS		**1,510,404**	1,307,347
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,980,497**	1,742,682
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**17**	1,928
Total non-current liabilities		**17**	1,928
Net assets		**1,980,480**	1,740,754
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**100,153**	100,153
Reserves	28	**1,880,327**	1,640,601
Total equity		**1,980,480**	1,740,754

Yeung Michael Wah Keung
Director

Yeung Wo Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

	Attributable to owners of the Company							
	Issued capital HK$'000 (note 27)	Share premium account* HK$'000 (note 28)	Merger reserve* HK$'000 (note 28)	Statutory reserve fund* HK$'000 (note 28)	Available-for-sale investment revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 July 2013	100,153	1,010,081	4,030	32,610	(400)	34,936	559,344	1,740,754
Profit for the year	–	–	–	–	–	–	504,254	504,254
Other comprehensive income for the year:								
Changes in fair value of an available-for-sale investment, net of tax	–	–	–	–	36	–	–	36
Reclassification adjustments for loss in the consolidated income statement – loss on disposal of an available-for-sale investment	–	–	–	–	364	–	–	364
Exchange differences on translation of foreign operations	–	–	–	–	–	(4,530)	–	(4,530)
Total comprehensive income for the year	–	–	–	–	400	(4,530)	504,254	500,124
2013 final dividends	–	–	–	–	–	–	(160,245)	(160,245)
2014 interim dividends	–	–	–	–	–	–	(100,153)	(100,153)
Transfer from retained profits	–	–	–	9,882	–	–	(9,882)	–
At 30 June 2014	100,153	1,010,081	4,030	42,492	–	30,406	793,318	1,980,480
At 1 July 2012	100,153	1,010,081	4,030	23,466	(447)	13,262	428,389	1,578,934
Profit for the year	–	–	–	–	–	–	400,497	400,497
Other comprehensive income for the year:								
Changes in fair value of an available-for-sale investment, net of tax	–	–	–	–	47	–	–	47
Exchange differences on translation of foreign operations	–	–	–	–	–	21,674	–	21,674
Total comprehensive income for the year	–	–	–	–	47	21,674	400,497	422,218
2012 final dividends	–	–	–	–	–	–	(200,306)	(200,306)
2013 interim dividends	–	–	–	–	–	–	(60,092)	(60,092)
Transfer from retained profits	–	–	–	9,144	–	–	(9,144)	–
At 30 June 2013	100,153	1,010,081	4,030	32,610	(400)	34,936	559,344	1,740,754

* These reserve accounts comprise the consolidated reserves of HK$1,880,327,000 (30 June 2013: HK$1,640,601,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2014

		Year ended 30 June	
	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		620,254	489,155
Adjustments for:			
Gain on disposal of a subsidiary	6	(2,478)	–
Loss on disposal of items of property, plant and equipment	7	700	603
Depreciation	7	43,747	34,294
Amortization of prepaid land lease payments	7	457	451
Fair value loss, net:			
Disposal of an available-for-sale investment	7	364	–
Write-down of inventories to net realizable value	7	26,370	10,597
		689,414	535,100
Decrease/(increase) in trade receivables		144,431	(69,297)
Increase in prepayments, deposits and other receivables		(4,965)	(6,782)
Decrease/(increase) in inventories		50,728	(12,224)
Increase in trade payables		12,030	9,932
Increase in other payables and accruals		12,382	34,816
CASH GENERATED FROM OPERATIONS		904,020	491,545
Hong Kong profits tax paid		(22,069)	(63,610)
Mainland China income tax paid		(19,507)	(27,845)
NET CASH FLOWS FROM OPERATING ACTIVITIES		862,444	400,090

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2014

		Year ended 30 June	
	Note	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(74,608)**	(103,575)
Proceeds from disposal of items of property, plant and equipment		**226**	105
Disposal of an availble-for-sale investment		**9,659**	–
Disposal of a subsidiary	30	**(118)**	–
Decrease in time deposit with original maturity of more than three months		**–**	60,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(64,841)**	(43,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(260,398)**	(260,398)
Increase in pledged time deposits		**(10,929)**	(12,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(271,327)**	(272,398)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**526,276**	84,222
Cash and cash equivalents at beginning of year		**834,697**	746,798
Effect of foreign exchange rate changes, net		**1,389**	3,677
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,362,362**	834,697

STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
NON-CURRENT ASSETS			
Deferred tax assets	17	**772**	492
Investments in subsidiaries	18	**430,000**	430,000
Total non-current assets		**430,772**	430,492
CURRENT ASSETS			
Deposits and other receivables	21	**1,393**	361
Amounts due from subsidiaries	24	**251,850**	463,496
Pledged time deposit	23	**12,850**	12,000
Cash and cash equivalents	23	**462,412**	254,003
Total current assets		**728,505**	729,860
CURRENT LIABILITIES			
Other payables and accruals	26	**669**	845
Total current liabilities		**669**	845
NET CURRENT ASSETS		**727,836**	729,015
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,158,608**	1,159,507
Net assets		**1,158,608**	1,159,507
EQUITY			
Issued capital	27	**100,153**	100,153
Reserves	28	**1,058,455**	1,059,354
Total equity		**1,158,608**	1,159,507

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 February 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. In the opinion of the Directors, the Company's controlling shareholders are Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai.

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

The Company's shares were listed on the Main Board of 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 an 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 30 June 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date 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 it 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 POLICIES AND DISCLOSURES

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

IFRS 10	*Consolidated Financial Statements*
IFRS 13	*Fair Value Measurement*

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

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 9	*Financial Instruments*[5]
IFRS 10, IFRS 12 and IAS 27 (Revised)	Amendments to IFRS 10, IFRS 12 and IAS 27 Amendments (Revised) – *Investment Entities*[1]
IFRS 11 Amendments	Amendments to IFRS 11 Joint Arrangements – *Accounting for Acquisitions of Interests in Joint Operations*[3]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from contracts with customers*[4]
IAS 16 and IAS 38	Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
IAS 16 and IAS 41	Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture – Bearer Plants*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 27 Amendments	Amendments to IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements*[3]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC Interpretation 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

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.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

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.

An assessment is made at the end of each reporting period as to whether there is an 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.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including 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.

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 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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.

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 other income and gains 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.

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 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

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 write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

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, 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. These 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 work in progress and 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Dividends

Final dividends distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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 subsidiaries not incorporated in the People's Republic of China ("PRC") is HK$. The functional currency of the subsidiaries incorporated in the PRC is Renminbi ("RMB"). The financial statements are presented in HK$, which is the Group's presentation currency.

Foreign currency transactions recorded by the entities within the Group are initially recorded using their respective functional currency rates prevailing 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. Differences arising on settlement or transaction of monetary items are recognized in 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.

As at the end of the reporting period, the assets and liabilities of the subsidiaries incorporated in the PRC are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their income statements are translated into HK$ at the weighted average exchange rates for the year. 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 prevailing at the dates of the cash flows. Frequent recurring cash flows of these entities which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

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 their accompany disclosures and the disclosure of contingent liabilities. 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:

Withholding 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 dividends. The Group considered that if it is probable that the profits of the subsidiaries 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 non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(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.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(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.

(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 10 to the financial statements.

4. PARTICULARS OF COMPANIES COMPRISING THE GROUP

Particulars of the companies comprising the Group at 30 June 2014 are set out below:

Name of company	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Subsidiaries					
Sitoy International Limited	The British Virgin Islands ("BVI") 10 September 2010	US$1	100	–	Investment holding
Sitoy Handbag Factory Limited	BVI 23 May 2011	US$300	100	–	Investment holding
Sitoy Investment International Limited	BVI 23 May 2011	US$300	100	–	Investment holding

4. PARTICULARS OF COMPANIES COMPRISING THE GROUP (continued)

Name of company	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sitoy (Hong Kong) Handbag Factory Limited	Hong Kong 9 July 1982	HK$4,000,000	–	100	Investment holding, trading of handbags, small leather goods and travel goods
Sitoy Company Limited	Hong Kong 29 July 1986	HK$30,000	–	100	Investment holding, 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
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
Sitoy (Yingde) Leather Products Co., Ltd.@	PRC/Mainland China 11 December 2006	HK$270,000,000	–	100	Manufacture and sale of handbags, small leather goods and travel goods
Sitoy (Yingde) Luggage Co., Ltd.@	PRC/Mainland China 30 May 2013	HK$50,000,000	–	100	Manufacture and sale of luggage and travel goods
Guangzhou Sitoy Leather Goods Company Limited*@	PRC/Mainland China 18 January 2011	HK$100,000,000	–	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.

@ These subsidiaries are registered as companies with limited liability under PRC law.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

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 this measurement.

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

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. OPERATING SEGMENT INFORMATION (continued)

	Year ended 30 June 2014		
	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	3,777,419	79,360	3,856,779
Intersegment sales	3,499	–	3,499
	3,780,918	79,360	3,860,278
Reconciliation:			
Elimination of intersegment sales			(3,499)
Total revenue			3,856,779
Segment results	634,642	(13,806)	620,836
Reconciliation:			
Corporate and other unallocated expenses			(582)
Profit before tax			620,254
Segment assets	1,911,451	102,553	2,014,004
Reconciliation:			
Elimination of intersegment receivables			(40,722)
Corporate and other unallocated assets			477,427
Total assets			2,450,709
Segment liabilities	463,354	46,928	510,282
Reconciliation:			
Elimination of intersegment payables			(40,722)
Corporate and other unallocated liabilities			669
Total liabilities			470,229
Other segment information:			
Depreciation of items of property, plant and equipment	38,602	5,145	43,747
Amortization of prepaid land lease payments	457	–	457
Write-down of inventories to net realizable value	24,371	1,999	26,370
Operating lease rentals	9,053	28,097	37,150
Capital expenditure*	79,265	5,863	85,128

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

5. OPERATING SEGMENT INFORMATION (continued)

	Year ended 30 June 2013		
	Manufacturing HK$'000	Retail HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	3,306,663	53,651	3,360,314
Intersegment sales	6,040	–	6,040
	3,312,703	53,651	3,366,354
Reconciliation:			
Elimination of intersegment sales			(6,040)
Total revenue			3,360,314
Segment results	510,148	(19,757)	490,391
Reconciliation:			
Corporate and other unallocated expenses			(1,236)
Profit before tax			489,155
Segment assets	1,842,046	48,179	1,890,225
Reconciliation:			
Elimination of intersegment receivables			(47,209)
Corporate and other unallocated assets			266,856
Total assets			2,109,872
Segment liabilities	357,150	58,332	415,482
Reconciliation:			
Elimination of intersegment payables			(47,209)
Corporate and other unallocated liabilities			845
Total liabilities			369,118
Other segment information:			
Depreciation of items of property, plant and equipment	30,363	3,931	34,294
Amortization of prepaid land lease payments	451	–	451
Write-down of inventories to net realizable value	10,597	–	10,597
Operating lease rentals	7,796	20,269	28,065
Capital expenditure*	89,811	3,873	93,684

* Capital expenditure represents of additions to property, plant and equipment during the year.

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 30 June	
	2014	2013
	HK$'000	HK$'000
Revenue		
North America	**2,133,644**	2,220,238
Europe	**775,121**	618,161
Mainland China, Hong Kong, Macau and Taiwan	**331,052**	338,314
Other Asian countries	**487,932**	181,952
Others	**129,030**	1,649
	3,856,779	3,360,314

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

(b) Non-current assets

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Mainland China and Hong Kong	**453,009**	422,193

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

Information about major customers

For the year ended 30 June 2014, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$1,960,612,000 and HK$674,572,000 which accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the year ended 30 June 2013, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$1,442,516,000 and HK$817,667,000 which 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.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

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:

	Year ended 30 June	
	2014 **HK$'000**	2013 HK$'000
Revenue		
Sale of goods	**3,856,779**	3,360,314
Other income and gains		
Net sample income and compensation from customers and suppliers	**1,619**	32,320
Interest income	**10,071**	5,532
Government grants	**4,478**	5,181
Gain on disposal of a subsidiary (note 30)	**2,478**	–
Others	**394**	674
	19,040	43,707

7. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2014 **HK$'000**	2013 HK$'000
Cost of inventories sold	**2,853,270**	2,575,782
Employee benefit expense (including Directors' remuneration as set out in note 8)		
– Wages and salaries	**814,377**	723,598
– Pension scheme contributions	**20,031**	21,283
	834,408	744,881

7. PROFIT BEFORE TAX (continued)

	Year ended 30 June	
	2014	2013
	HK$'000	HK$'000
Depreciation of items of property, plant and equipment (note 14)	**43,747**	34,294
Amortization of prepaid land lease payments (note 15)	**457**	451
Operating lease rentals	**37,150**	28,065
Write-down of inventories to net realizable value	**26,370**	10,597
Loss on disposal of items of property, plant and equipment	**700**	603
Auditors' remuneration	**2,987**	2,759
Gain on disposal of a subsidiary	**(2,478)**	–
Fair value loss, net:		
Disposal of an available-for-sale investment	**364**	–
Exchange losses, net	**10,914**	8,499

8. DIRECTORS' REMUNERATION

Directors' remuneration during the reporting period, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 30 June	
	2014	2013
	HK$'000	HK$'000
Fees	**800**	818
Salaries, allowances and benefits in kind	**14,842**	17,110
Pension scheme contributions	**320**	455
	15,962	18,383

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

8. 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
Year ended 30 June 2014				
Yeung Chi Tat	**200**	**–**	**–**	**200**
Kwan Po Chuen, Vincent	**200**	**–**	**–**	**200**
Lung Hung Cheuk	**200**	**–**	**–**	**200**
	600	**–**	**–**	**600**
Year ended 30 June 2013				
Yeung Chi Tat	200	–	–	200
Kwan Po Chuen, Vincent	200	–	–	200
Lung Hung Cheuk	200	–	–	200
	600	–	–	600

There were no other emoluments payable to the independent non-executive Directors during the reporting period (year ended 30 June 2013: nil).

8. 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
Year ended 30 June 2014				
Yeung Michael Wah Keung	50	4,654	5	4,709
Yeung Wo Fai	50	4,190	15	4,255
Chan Ka Dig Adam	50	3,023	151	3,224
Yeung Andrew Kin	50	2,975	149	3,174
	200	14,842	320	15,362

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 30 June 2013				
Yeung Michael Wah Keung	50	4,536	15	4,601
Yeung Wo Fai	50	4,083	15	4,148
Yu Chun Kau (i)	18	770	39	827
Chan Ka Dig Adam	50	4,062	203	4,315
Yeung Andrew Kin	50	3,659	183	3,892
	218	17,110	455	17,783

(i) Mr. Yu Chun Kau retired as executive Director of the Company on 16 November 2012.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the reporting period (year ended 30 June 2013: nil).

As at 30 June 2014, the remuneration payable of the Directors amounting to HK$667,000 (30 June 2013: HK$842,000) was recorded as payroll payable in other payables and accruals.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

9. 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 Year ended 30 June	
	2014	2013
Directors	**4**	4
Non-Director employee	**1**	1
	5	5

Details of Directors' remuneration are set out in note 8 above.

Details of the remuneration of the above non-Director, highest paid employee is as follows:

	Year ended 30 June	
	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**1,594**	1,603
Pension scheme contributions	**80**	80
	1,674	1,683

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

	Number of employee Year ended 30 June	
	2014	2013
HK$1,500,001 to HK$2,000,000	**1**	1

During the year, 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.

10. 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% (year ended 30 June 2013: 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% (year ended 30 June 2013: 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.

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, the applicable income tax rates of Sitoy Yingde are 12.5% from 1 January 2010 to 31 December 2012 and 25% from 1 January 2013.

The major components of income tax expense are as follows:

	Year ended 30 June	
	2014 **HK$'000**	2013 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**83,317**	60,860
Adjustments in respect of current income tax of previous years	**11**	(54)
Current – Mainland China		
Charge for the year	**38,476**	23,426
Adjustments in respect of current income tax of previous years	**–**	(408)
Deferred tax (note 17)	**(5,804)**	4,834
Total tax charge for the year	**116,000**	88,658

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

10. 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:

Year ended 30 June 2014

	Hong Kong HK$'000	Mainland China HK$'000	Cayman Islands HK$'000	Total HK$'000
Profit before tax	488,437	127,598	4,219	620,254
Tax at the statutory tax rate (i)	80,592	31,900	696	113,188
Adjustments in respect of current tax of previous years	11	–	–	11
Income not subject to tax	–	–	(976)	(976)
Expenses not deductible for tax	–	849	–	849
Deductible temporary differences not recognized, net	(10)	(2,438)	–	(2,448)
Tax losses not recognized in the current year	752	4,624	–	5,376
Tax charge at the Group's effective rate	81,345	34,935	(280)	116,000

Year ended 30 June 2013

	Hong Kong HK$'000	Mainland China HK$'000	Cayman Islands HK$'000	Total HK$'000
Profit before tax	390,358	92,833	5,964	489,155
Tax at the statutory tax rate (i)	64,409	23,208	984	88,601
Adjustments in respect of current tax of previous years	(54)	(408)	–	(462)
Income not subject to tax	–	–	(629)	(629)
Expenses not deductible for tax	–	579	–	579
Deductible temporary differences not recognized, net	–	1,627	–	1,627
Tax losses not recognized in the current year	740	4,499	–	5,239
Lower tax rate enacted by the local authority	–	(6,297)	–	(6,297)
Tax charge at the Group's effective rate	65,095	23,208	355	88,658

(i) During the year, the Company generated revenue in Hong Kong and was therefore subject to Hong Kong profits tax.

11. 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.

	Year ended 30 June	
	2014 **HK$'000**	2013 HK$'000
Profit (note 28)	**259,499**	285,609

12. DIVIDENDS

	Year ended 30 June	
	2014 **HK$'000**	2013 HK$'000
Interim – 2014: HK10 cents per ordinary share (2013: HK6 cents per ordinary share)	**100,153**	60,092
Proposed final – 2014: HK18 cents per ordinary share (2013: HK16 cents per ordinary share) (i)	**180,276**	160,245
	280,429	220,337

Note:

(i) On 15 September 2014, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2014 of HK18 cents (year ended 30 June 2013: HK16 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2014 subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

13. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year ended 30 June 2014 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (year ended 30 June 2013: 1,001,532,000) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2014	2013
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**504,254**	400,497

	Year ended 30 June	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,001,532,000**	1,001,532,000

No adjustment has been made to the basic earnings per share presented for the years ended 30 June 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those years.

14. 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 2013	218,905	52,208	139,342	37,979	7,103	56,785	512,322
Additions	85	7,173	17,069	12,434	906	47,461	85,128
Transfers	65,597	4,228	5,264	267	–	(75,356)	–
Disposals	–	(2,930)	(1,056)	(19)	(332)	–	(4,337)
Disposals of a subsidiary (Note 30)	–	–	(552)	–	–	–	(552)
Exchange realignment	876	184	493	108	15	151	1,827
At 30 June 2014	285,463	60,863	160,560	50,769	7,692	29,041	594,388
Accumulated depreciation:							
At 1 July 2013	30,329	23,652	48,685	17,451	4,806	–	124,923
Charge for the year	11,326	14,121	11,338	5,750	1,212	–	43,747
Disposals	–	(2,513)	(592)	(16)	(290)	–	(3,411)
Disposals of a subsidiary (Note 30)	–	–	(98)	–	–	–	(98)
Exchange realignment	122	83	139	38	8	–	390
At 30 June 2014	41,777	35,343	59,472	23,223	5,736	–	165,551
Net carrying amount:							
At 30 June 2014	243,686	25,520	101,088	27,546	1,956	29,041	428,837
At 30 June 2013	188,576	28,556	90,657	20,528	2,297	56,785	387,399

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

14. 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 2012	213,963	35,917	124,628	27,108	7,420	1,423	410,459
Additions	–	16,722	10,201	4,691	5	62,065	93,684
Transfers	–	–	1,697	5,680	–	(7,377)	–
Disposals	–	(1,365)	(21)	(45)	(408)	–	(1,839)
Exchange realignment	4,942	934	2,837	545	86	674	10,018
At 30 June 2013	218,905	52,208	139,342	37,979	7,103	56,785	512,322
Accumulated depreciation:							
At 1 July 2012	20,060	14,434	37,962	13,556	3,974	–	89,986
Charge for the year	9,722	9,599	10,043	3,728	1,202	–	34,294
Disposals	–	(700)	(4)	(19)	(408)	–	(1,131)
Exchange realignment	547	319	684	186	38	–	1,774
At 30 June 2013	30,329	23,652	48,685	17,451	4,806	–	124,923
Net carrying amount:							
At 30 June 2013	188,576	28,556	90,657	20,528	2,297	56,785	387,399
At 30 June 2012	193,903	21,483	86,666	13,552	3,446	1,423	320,473

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

15. PREPAID LAND LEASE PAYMENTS

Group

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Cost:		
At beginning of the year	**21,949**	21,446
Exchange realignment	**78**	503
At end of the year	**22,027**	21,949
Accumulated amortization:		
At beginning of the year	**1,640**	1,156
Charge for the year	**457**	451
Exchange realignment	**6**	33
At end of the year	**2,103**	1,640
Net carrying amount:		
At end of the year	**19,924**	20,309

Parcels of leasehold land are held under long term leases and are situated in Mainland China.

16. INTANGIBLE ASSET

Group

	Trademark HK$'000
At 30 June 2013 and 2014	
Cost	**4,140**
Accumulated impairment	**–**
Net carrying amount	**4,140**

Indefinite useful life

The Group classified the acquired "TUSCAN'S" trademark as an intangible asset with an indefinite life in Mainland China, Taiwan, Hong Kong, Macau and some other countries in accordance with IAS 38 *Intangible Assets*. This is supported by the fact that the "TUSCAN'S" trademark is a well-known and long established fashion brand, and its legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

16. INTANGIBLE ASSET (continued)

Impairment testing

During the year ended 30 June 2014, the retail business incurred a loss before tax of HK$13,806,000. The Directors considered that the existence of the above condition indicated that the intangible asset of the Group might be impaired. In view of this, the Directors estimated the recoverable amount of the cash-generating unit by comparing the higher of the fair value less costs to sell and the value in use of the cash-generating unit based on the discounted cash flow prepared by management. The estimates of the recoverable amount of the cash-generating unit as at 30 June 2014 were determined based on a value in use calculation using cash flow projections based on the three-year financial forecast approved by the executive Directors.

Key assumption used for the value in use calculation:

Discount rate: 19%

The Directors determine the above financial forecast based on the expectation of future market development, the strategic retail expansion plan going forward and believe that there is no impairment in the "TUSCAN'S" trademark. The Directors believe that any reasonably foreseeable change in the above key assumption would not cause the aggregate carrying amount of the trademark to exceed the aggregate recoverable amount.

17. DEFERRED TAX

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

Deferred tax assets

Group

	Unrealized gain arising from intra-group transactions HK$'000	Deductible losses HK$'000	Temporary differences on prepaid land lease payments HK$'000	Accruals and provisions HK$'000	Accelerated tax depreciation HK$'000	Provision against inventories HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 July 2012	1,159	847	8,095	92	708	2,022	2,828	15,751
Deferred tax credited/(charged) to the income statement during the year (note 10)	(1,159)	(355)	(177)	–	(708)	813	(1,320)	(2,906)
Exchange realignment	–	–	189	–	–	58	50	297
Gross deferred tax assets at 30 June 2013 and 1 July 2013	–	492	8,107	92	–	2,893	1,558	13,142
Deferred tax credited/(charged) to the income statement during the year (note 10)	531	280	(179)	–	–	4,599	(1,338)	3,893
Exchange realignment	–	–	27	–	–	19	3	49
At 30 June 2014	531	772	7,955	92	–	7,511	223	17,084

The amount of unrecognized tax losses as at 30 June 2014 was HK$67,375,000 (30 June 2013: HK$46,786,000).

17. DEFERRED TAX (continued)

Deferred tax assets (continued)

Company

	Deductible losses HK$'000
At 1 July 2012	847
Deferred tax charged to the income statement during the year	(355)
Gross deferred tax assets at 30 June 2013 and 1 July 2013	492
Deferred tax credited to the income statement during the year	280
At 30 June 2014	772

Deferred tax liabilities

Group

	Unrealized loss arising from intra-group transactions HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 July 2012	–	–	–
Deferred tax charged to the income statement during the year (note 10)	1,911	17	1,928
Gross deferred tax liabilities at 30 June 2013 and 1 July 2013	1,911	17	1,928
Deferred tax credited to the income statement during the year (note 10)	(1,911)	–	(1,911)
At 30 June 2014	–	17	17

At 30 June 2014, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately HK$385,047,000 (30 June 2013: HK$292,089,000).

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

18. INVESTMENTS IN SUBSIDIARIES

Company

	As at 30 June 2014 HK$	As at 30 June 2013 HK$
Unlisted investments, at cost	**430,000,008**	430,000,008

Investments in subsidiaries as at 30 June 2014 and 2013 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 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Raw materials	**115,987**	132,945
Work in progress	**111,723**	206,595
Finished goods	**103,354**	54,267
	331,064	393,807
Less: provision against inventories	**(32,040)**	(11,571)
	299,024	382,236

20. TRADE RECEIVABLES

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Trade receivables	**229,307**	373,924
Impairment	**–**	–
	229,307	373,924

20. TRADE RECEIVABLES (continued)

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 20 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 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Within 90 days	**228,619**	370,327
91 to 180 days	**606**	862
Over 180 days	**82**	2,735
	229,307	373,924

An aged analysis of the trade receivables, regardless of whether they are past due or not, that are not individually nor collectively considered to be impaired is as follows:

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Neither past due nor impaired	**182,955**	344,502
Past due but not impaired:		
Less than 90 days	**46,205**	26,633
91 to 180 days	**147**	64
Over 180 days	**–**	2,725
	229,307	373,924

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

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

20. TRADE RECEIVABLES (continued)

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 are of the opinion that no provision for impairment 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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Non-current portion:		
Prepayments for items of property, plant and equipment	**108**	10,345
Current portion:		
Prepayments	**15,514**	18,661
Deposits and other receivables	**18,514**	23,774
Value-added tax	**32,966**	19,622
	66,994	62,057
Total	**67,102**	72,402
Company		
Deposits and other receivables	**1,393**	361

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 deposits and other receivables approximate to their fair values.

22. AVAILABLE-FOR-SALE INVESTMENT

Group

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Unlisted debt investment, at fair value	–	9,623

During the year ended 30 June 2014, the loss in respect of the Group's available-for-sale investment recognized in other comprehensive income amounted to HK$400,000 (year ended 30 June 2013: HK$47,000), of which HK$364,000 was reclassified from other comprehensive income to the income statement for the year.

As at 30 June 2013, the available-for-sale investment was pledged as security for banking facilities granted to the subsidiaries.

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Cash and bank balances	**861,163**	513,270
Time deposits	**524,128**	333,427
	1,385,291	846,697
Less: pledged time deposits for banking facilities	**(22,929)**	(12,000)
Cash and cash equivalents	**1,362,362**	834,697
Company		
Cash and bank balances	**21,624**	21,558
Time deposits	**453,638**	244,445
	475,262	266,003
Less: pledged time deposit for banking facilities	**(12,850)**	(12,000)
Cash and cash equivalents	**462,412**	254,003

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS (continued)

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

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Denominated in RMB	**547,345**	234,887
Company		
Denominated in RMB	**290,870**	73,068

The RMB is not freely convertible into other currencies in Mainland China, 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 and pledged time deposits approximate to their fair values.

24. BALANCES WITH SUBSIDIARIES

	Note	**As at 30 June 2014 HK$'000**	As at 30 June 2013 HK$'000
Company			
Amounts due from subsidiaries	(i)	**251,850**	463,496

Note:

(i) 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 subsidiaries approximate to their fair values.

25. TRADE PAYABLES

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Trade payables	**202,661**	192,518

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 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Within 90 days	**191,153**	179,049
91 to 180 days	**5,116**	5,789
181 to 365 days	**6,392**	7,205
Over 365 days	**–**	475
	202,661	192,518

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 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Payroll payable	**71,137**	80,125
Advances from customers	**13,744**	2,175
Accruals	**4,940**	4,717
Other payables	**30,435**	20,690
	120,256	107,707

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

26. OTHER PAYABLES AND ACCRUALS (continued)

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Company		
Payroll payable	–	200
Accruals	669	645
	669	845

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

27. SHARE CAPITAL

The movements in the authorized and issued share capital of the Company in the year ended 30 June 2014 are as follows:

	Number of ordinary shares	Nominal value HK$
Authorized ordinary shares of HK$0.10 each:		
As at 30 June 2014 and 2013	3,000,000,000	300,000,000
Issued and fully paid ordinary shares of HK$0.10 each:		
As at 30 June 2014 and 2013	1,001,532,000	100,153,200

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement 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 a 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.

28. RESERVES (continued)

Group (continued)

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 this 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.

Company

	Share premium/ account HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
As at 30 June 2012 and 1 July 2012	1,050,081	(15,938)	1,034,143
Total comprehensive income for the year	–	285,609	285,609
Final 2012 dividend	–	(200,306)	(200,306)
Interim 2013 dividend	–	(60,092)	(60,092)
As at 30 June 2013 and 1 July 2013	1,050,081	9,273	1,059,354
Total comprehensive income for the year	–	259,499	259,499
Final 2013 dividend	–	(160,245)	(160,245)
Interim 2014 dividend	–	(100,153)	(100,153)
As at 30 June 2014	1,050,081	8,374	1,058,455

29. PLEDGE OF ASSETS

Details of the pledged assets for banking facilities of the Group are included in notes 22 and 23 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

30. DISPOSAL OF A SUBSIDIARY

On 14 March 2014, the Company disposed of its 100% equity interests in Dongguan Sitoy Leather Products Company Limited for a consideration of HK$507,000.

The net liabilities of the subsidiary as at the disposal date are as follows:

	Carrying amount HK$'000
Net assets disposed of:	
Property, plant and equipment (note 14)	454
Cash and cash equivalents	625
Trade and bills receivables	186
Prepayments, deposits and other receivables	28
Inventories	6,114
Trade and bills payables	(1,887)
Other payables and accruals	(7,554)
Exchange differences on translation of foreign operations	63
	(1,971)
Gain on disposal (note 6)	2,478
Satisfied by cash	507

An analysis of the net cash flow in respect of the disposal of the subsidiary is as follows:

	For the year ended 30 June 2014 HK$'000
Cash consideration	**507**
Cash and cash equivalents disposed of	**(625)**
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	**(118)**

31. CONTINGENT LIABILITIES

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

Company

	As at 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Guarantees given to banks in connection with facilities granted to:		
Subsidiaries	**340,000**	390,000

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 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Within one year	**15,328**	19,051
In the second to fifth years, inclusive	**13,503**	23,175
After five years	**–**	456
	28,831	42,682

The operating leases of certain retail outlets also called for contingent rentals, which would be based on a certain percentage of turnover of the operations being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future turnover of these shops could not be accurately determined as at the end of the reporting period, the relevant contingent rental has not been included.

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 30 June 2014 HK$'000	As at 30 June 2013 HK$'000
Group		
Contracted, but not provided for:		
Property, plant and equipment	**7,951**	26,174
Intangible asset	**2,115**	2,022
	10,066	28,196

34. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Year ended 30 June	
	2014 HK$'000	2013 HK$'000
Short term employee benefits	**15,042**	18,002
Post-employment benefits	**320**	488
Total compensation paid to key management personnel	**15,362**	18,490

Further details of the Directors' emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

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 30 June 2014			As at 30 June 2013		
	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	229,307	–	229,307	373,924	–	373,924
Financial assets included in deposits and other receivables	18,514	–	18,514	23,774	–	23,774
Available-for-sale investment	–	–	–	–	9,623	9,623
Pledged time deposits	22,929	–	22,929	12,000	–	12,000
Cash and cash equivalents	1,362,362	–	1,362,362	834,697	–	834,697
	1,633,112	–	1,633,112	1,244,395	9,623	1,254,018

Financial liabilities

	As at 30 June 2014 Financial liabilities at amortized cost HK$'000	As at 30 June 2013 Financial liabilities at amortized cost HK$'000
Trade payables	202,661	192,518
Financial liabilities included in other payables and accruals	106,512	105,532
	309,173	298,050

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	As at 30 June 2014 Loans and receivables HK$'000	As at 30 June 2013 Loans and receivables HK$'000
Financial assets included in deposits and other receivables	**1,393**	361
Amounts due from subsidiaries	**251,850**	463,496
Pledged time deposit	**12,850**	12,000
Cash and cash equivalents	**462,412**	254,003
	728,505	729,860

Financial liabilities

	As at 30 June 2014 Financial liabilities at amortized cost HK$'000	As at 30 June 2013 Financial liabilities at amortized cost HK$'000
Financial liabilities included in other payables and accruals	**669**	845

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)

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

36. FAIR VALUE HIERARCHY (continued)

Assets measured at fair value:

Group

As at 30 June 2014

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

As at 30 June 2013

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investment:				
Debt investment	9,623	–	–	9,623

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise 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.

The main risks arising from the Group's financial instruments are 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:

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the year ended 30 June 2014, 97.9% (year ended 30 June 2013: 98.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 45.5% (year ended 30 June 2013: 39.1%) of costs were denominated in the units' functional currency.

The Group signed a forward foreign exchange contract with the bank amounting to EUR796,100 at 27 June 2013, and its fair value was estimated to be nil. This contract related to the buying of US$ has matured in the first half year subsequent to 30 June 2013.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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
Year ended 30 June 2014		
If HK$ weakens against US$	**5**	**38,402**
If HK$ strengthens against US$	**(5)**	**(38,402)**
If HK$ weakens against EUR	**5**	**89**
If HK$ strengthens against EUR	**(5)**	**(89)**
If HK$ weakens against RMB	**5**	**17,348**
If HK$ strengthens against RMB	**(5)**	**(17,348)**
Year ended 30 June 2013		
If HK$ weakens against US$	5	34,844
If HK$ strengthens against US$	(5)	(34,844)
If HK$ weakens against EUR	5	632
If HK$ strengthens against EUR	(5)	(632)
If HK$ weakens against RMB	5	6,772
If HK$ strengthens against RMB	(5)	(6,772)

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, pledged time deposits, an available-for-sale investment and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 30 June 2014, the Group had certain concentrations of credit risk as 30.0% (30 June 2013: 20.8%) and 59.1% (30 June 2013: 72.7%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

NOTES TO FINANCIAL STATEMENTS

Year ended 30 June 2014

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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

As at 30 June 2014	**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	**38,383**	**164,278**	**–**	**–**	**202,661**
Other payables and accruals	**106,512**	**–**	**–**	**–**	**106,512**
	144,895	**164,278**	**–**	**–**	**309,173**

As at 30 June 2013	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	86,366	106,152	–	–	192,518
Other payables and accruals	105,532	–	–	–	105,532
	191,898	106,152	–	–	298,050

Company

As at 30 June 2014	**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	**669**	**–**	**–**	**–**	**669**

As at 30 June 2013	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	845	–	–	–	845

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 year.

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.

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 30 June 2014 and 2013, the Group had no interest-bearing bank borrowings. As such, no gearing ratio as at 30 June 2014 and 2013 is presented.

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 15 September 2014.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

RESULTS:

	Year ended 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,856,779**	3,360,314	3,338,241	2,493,272	1,726,317
Profit before tax	**620,254**	489,155	462,666	362,856	193,144
Income tax expenses	**(116,000)**	(88,658)	(81,658)	(60,436)	(41,342)
Profit for the year	**504,254**	400,497	381,008	302,420	151,802
Profit attributable to:					
Owners of the Company	**504,254**	400,497	381,008	302,420	151,802

ASSETS AND LIABILITIES:

	As at 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,450,709**	2,109,872	1,917,889	990,373	717,828
Total liabilities	**(470,229)**	(369,118)	(338,955)	(496,936)	(500,526)
Net assets	**1,980,480**	1,740,754	1,578,934	493,437	217,302

Notes:

(i) The summary of the consolidated results of the Group for each of the two years ended 30 June 2010 and 2011 and of the assets and liabilities as at 30 June 2010 and 2011 have been extracted from the prospectus date 24 November 2011 (the "Prospectus"). Such summary is presented on the basis as set out in the Prospectus.

(ii) The consolidated results of the Group for the three years ended 30 June 2012, 2013 and 2014 and the consolidated assets and liabilities of the Group as at 30 June 2012, 2013 and 2014 have been extracted from the published audited financial statements. Such summary for the year ended 30 June 2012 was prepared as if the current structure of the Group had been in existence throughout that financial year.

The summary above does not form part of the audited financial statements.

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