



# Sitoy

2015 INTERIM REPORT



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

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



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## Corporate Information

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### 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 PO Box 2804  
Grand Cayman KY1-1112  
Cayman Islands

### Head Office and Principal Place of Business in Hong Kong

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

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

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

### Board Committees

#### **Audit Committee**

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

#### **Remuneration Committee**

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

#### **Nomination Committee**

Mr. Yeung Michael Wah Keung (*Chairman*)  
Mr. Kwan Po Chuen, Vincent  
Mr. Lung Hung Cheuk

## Corporate Information

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### Legal Adviser as to Hong Kong Laws

Woo Kwan Lee & Lo

### 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  
PO Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

### Hong Kong Share Registrar and Transfer Office

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

### Auditors

Ernst & Young

### Stock Code

1023

### Company Website

[www.sitoy.com](http://www.sitoy.com)



## Management Discussion and Analysis



The board (the “Board”) of directors (the “Directors”) of Sitoy Group Holdings Limited (the “Company”) is pleased to present this interim report, including the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2014.

### Business Review

#### **Manufacturing business**

For the six months ended 31 December 2014, the Group’s purchase orders from its customers have been decreased by 17.2% when compared with same period prior year. The decrease was mainly due to certain customers changed their market positioning. Since the Group is targeted on the high-end and luxury brand customers, the revenue has been decreased. However, the Group is actively developing business with the new international and Chinese brand customers in the level of high-end and luxury products.

## Management Discussion and Analysis

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The Group's brand customers became more stringent in identifying suppliers for product manufacturing. The competition of manufacturing business is not only limited to the suppliers in mainland China but also among Southeast Asian countries. The Group did not move their production plants to other Southeast Asian countries since China has higher level of craftsmanship, well developed supply chain as well as equipped logistics facilities. All these competitive advantages enable the Group to maintain stable quality and services to its international and Chinese brand customers in the level of high-end and luxury products.

Even the Group had to manage the labor cost and keener competition during the reporting period, the Group continuously upgraded itself to meet the higher requirements of the customers. The Group has made its best endeavours to tap new opportunities under a challenging business environment.

During the period under review, certain established customer changed its strategy, the drop in revenue from that customer contributed to the decrease in the overall revenue of the Group. This is expected to be short term and will not affect the Group in the long term.

### **Retail business**

The Group's retail business achieved encouraging results during the period. Revenue generated from this segment increased by 55.1% to HK\$50.9 million when compared with the corresponding period last year. Same stores sales recorded a low double-digit increase for the six months ended 31 December 2014.

Throughout the reporting period, the Group continued to expand TUSCAN'S footprints in mainland China and Hong Kong. As at the end of the period, the Group owned and operated 82 TUSCAN'S retail stores, among which 16 were stand-alone retail stores and 66 were department store concession counters. Its retail stores spanned across Shanghai, Beijing, Hong Kong, Guangdong, Shenzhen, Chongqing, Chengdu, Yunnan, Hubei, Hunan and Jiangsu.

Due to increasing point-of-sales and the launch of e-commerce business in the fourth-quarter of fiscal year 2014, the Group held different kinds of promotional and marketing campaigns across the on-line and off-line sales channels to build up the brand's image during the reporting period.



## Management Discussion and Analysis

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In September 2014, the Group launched a self-developed new brand – Fashion & Joy through the e-commerce channel. Fashion & Joy is a brand of travel luggage and business accessories, designed and expertly crafted for bold and young trend-setters who aspire stylish sophistication. The first Fashion & Joy retail store was set up in Shenzhen in December 2014.

### **Manufacturing facilities**

For the six months ended 31 December 2014, the Group had around 180 production lines to support its operation. The Group's production scale and efficiency enabled it to meet the ever-changing demands of its customers. The Group continued to upgrade its machinery and equipment during the period in order to enhance the operation efficiency.

These investments were funded by the proceeds of the initial public offering.

### **Product research, development and design**

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

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

## Management Discussion and Analysis

### The use of proceeds from Initial Public Offering (“IPO”)

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

	IPO proceeds		Used up to 31 December 2014	Unused Balance
	HK\$'million	Percentage	HK\$'million	HK\$'million
Second phase of Yingde manufacturing facility	251.4	35%	141.3	110.1
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	49.8	93.8
Expansion of retail business	251.4	35%	136.3	115.1
Working capital	71.8	10%	71.8	–
	718.2	100%	399.2	319.0

### Prospect

Looking ahead, with uncertainties in the operating environment together with keener competitions in the manufacturing industry, the Group expects the coming six months 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 and Chinese brands in the level of high-end and luxury products as its new customers. At the same time, the Group would like to utilize 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 six months, it will actively build partnership with high-end and luxury international travel goods retailers as well as develop mainland China market.

For the retail business, the Group has plans to set up more TUSCAN'S brand image stores in both mainland China and Hong Kong, especially in Shanghai, Beijing and Southwest China regions. The Group will adopt a prudent approach regarding new store openings, with emphasis on the quality of individual stores as well as overall store portfolio. In the coming six months, more integrated promotional and marketing campaigns will be held to build up the brand image.



## Management Discussion and Analysis

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For the newly developed brand Fashion & Joy, since the target customers are the young trend-setters, the Group will emphasize on the operation of e-commerce distribution network. In order to increase customers' awareness of this brand, the Group will invest more in on-line promotion in the coming six months.

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

### Financial Review

#### Revenue

The revenue decreased by 16.0% to HK\$1,736.9 million for the six months ended 31 December 2014 from HK\$2,068.3 million for the six months ended 31 December 2013. This decrease was primarily due to a decrease in demand from the high-end and luxury brand customers. However, the increase in retail segment sales offset some of the impact.

#### Cost of sales

Costs of sales of the Group decreased by 17.7% to HK\$1,283.7 million for the six months ended 31 December 2014 from HK\$1,559.3 million for the six months ended 31 December 2013. This decrease was in line with the decrease in revenue during the same period.

#### Gross profit and gross profit margin

Gross profit decreased by 11.0% to HK\$453.2 million for the six months ended 31 December 2014 from HK\$509.0 million for the six months ended 31 December 2013, which was in line with the decrease in revenue during the same period. Gross profit margin increased to 26.1% for the six months ended 31 December 2014 when compared with 24.6% for the six months ended 31 December 2013 due to tight control over the cost and increasing contribution from retail business.

## Management Discussion and Analysis

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### **Selling and distribution costs**

Selling and distribution costs increased by 14.6% to HK\$79.1 million for the six months ended 31 December 2014 from HK\$69.0 million for the six months ended 31 December 2013. The increase was due to further expansion of retail business during the same period.

### **Administrative expenses**

Administrative expenses increased by 4.5% to HK\$135.7 million for the six months ended 31 December 2014 from HK\$129.8 million for the six months ended 31 December 2013. The slight increase was mainly due to further development of retail business and travel goods business.

### **Income tax expenses**

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

Hong Kong profits tax as applicable to the Group was 16.5% for the six months ended 31 December 2014 and 2013 on the assessable profits arising in Hong Kong during the relevant period.

PRC corporate income tax was based on a statutory rate of 25% of the assessable profit of all the subsidiaries incorporated in the PRC as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

The effective tax rate of the Group was 18.8% for the six months ended 31 December 2014 (31 December 2013: 19.1%).

## Management Discussion and Analysis

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### **Profit for the period**

Profit for the period decreased by HK\$42.4 million to HK\$208.0 million for the six months ended 31 December 2014 from HK\$250.4 million for the six months ended 31 December 2013. As a percentage of revenue, profit maintained at 12.0% for the six months ended 31 December 2014 when compared with 12.1% for the six months ended 31 December 2013.

### **Capital expenditure**

For the six months ended 31 December 2014, the capital expenditure of the Group amounted to HK\$28.7 million, primarily related to the construction of Yingde second phase manufacturing facilities, upgrading existing manufacturing facilities in Dongguan and Yingde as well as expansion of retail business.

### **Material acquisitions and disposals of subsidiaries and associated companies**

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 31 December 2014.

### **Liquidity and financial resources**

The liquidity and financial resources position remains strong as the Group continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 31 December 2014 amounted to HK\$1,130.9 million (30 June 2014: HK\$1,362.4 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 Group had no bank and other borrowings as at 31 December 2014 and 30 June 2014 hence no gearing ratio (calculated as net debt divided by total capital plus net debt) as at 31 December 2014 and 30 June 2014 is presented.

## Management Discussion and Analysis

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### **Foreign exchange risk**

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2014, 97.0% (year ended 30 June 2014: 97.9%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 45.7% (year ended 30 June 2014: 45.5%) of costs were denominated in the units' functional currency.

As at 31 December 2014, the Group had no foreign exchange forward contracts and other financial derivatives outstanding.

### **Pledge of Assets**

As at 31 December 2014, HK\$23.1 million time deposits were pledged as security for banking facilities available to the Group (30 June 2014: HK\$22.9 million time deposits).

### **Inventory turnover days**

Inventory turnover days slightly increased to 47 days for the six months ended 31 December 2014 from 46 days for the year ended 30 June 2014. As the Group has strong control over the inventory level, the inventory turnover days remained stable.

### **Trade receivables turnover days**

Trade receivables turnover days slightly increased to 31 days for the six months ended 31 December 2014 when compared with 29 days for the year ended 30 June 2014. The Group did not experience any significant credit risk due to strict credit control policies. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary as at 31 December 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 increased to 42 days for the six months ended 31 December 2014 when compared with 34 days for the year ended 30 June 2014. The significant increase in turnover days was mainly due to change in supplier's mix. Trade payables are non-interest bearing and are generally settled within 90 days.

## Management Discussion and Analysis

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### **Off-balance sheet commitments and arrangements**

As at 31 December 2014, the Group did not have any material off-balance sheet arrangements or contingencies.

### Employees

As at 31 December 2014, the Group had over 12,000 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the Group are subject to social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations and adhere to both statutory employment standards and those requested by customers, such as minimum wage levels and maximum working hours. Moreover, the Group provides staff quarters for most of employees and, in case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteen, sports site, library and internet center for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the remuneration packages and fringe benefits offered by the Group to its staff members are competitive in comparison with market standards and practices.

Since human resource management is an important factor in maintaining and further enhancing the Group's strong expertise and know-how in the craftsmanship of handbags, small leather goods and travel goods, the in-house employee training center provides pre-job training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different levels of on-the-job training will be provided to the employees to broaden their skills and enhance their productivity.

### Dividend and Record Date

The Directors have declared the payment of an interim dividend of HK10 cents (31 December 2013: HK10 cents) per share to the shareholders for the six months ended 31 December 2014 in recognition of continual support of the shareholders. The interim dividend will be paid to shareholders whose names appear on the register of members of the Company on 27 March 2015. It is expected that the interim dividend will be paid on or before 17 April 2015.

## Management Discussion and Analysis

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### Closure of Register of Members

The register of members of the Company will be closed from 25 to 27 March 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 24 March 2015.



## Corporate Governance and Other Information

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

As at 31 December 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Long Positions

Name of Director	Capacity/ Nature of interest	Number of ordinary shares interested	Percentage of the Company's issued share capital
Mr. Yeung Michael Wah Keung	Beneficial owner/personal interest	434,720,000	43.41%
Mr. Yeung Wo Fai	Beneficial owner/personal interest	234,080,000	23.37%

Save as disclosed above, as at 31 December 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 notified to the Company and the Stock Exchange pursuant to the Model Code.



## Corporate Governance and Other Information

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

As at 31 December 2014, so far as the Directors were aware, no person (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.

### **Directors' and relevant employees' securities transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made to all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for the six months ended 31 December 2014.

Relevant employees, who are likely to possess 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.

### **Change in Director's information**

Under the Rule 13.51B(1) of the Listing Rules, the change in information of Directors are set out below:

1. Mr. Yeung Chi Tat (being an independent non-executive Director) ceased to be a vice-president of Hong Kong Wine Merchants' Chamber of Commerce and admitted as council member of Hong Kong Wine Chamber of Commerce. He had been the Greater China Development Working Committee member of The Association of Hong Kong Accountants since September 2014.
2. Mr. Kwan Po Chuen, Vincent (being an independent non-executive Director) resigned as consultant of Messrs. Gallant Y T Ho & Co on 31 January 2015 and joined Messrs. LCP lawyers on 2 February 2015.

## **Corporate Governance**

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

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 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 six months ended 31 December 2014.

## **Audit Committee**

The Company established an audit committee on 15 November 2011 with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises Mr. Yeung Chi Tat (Chairman), Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk, all of whom are independent non-executive Directors. The audit committee has reviewed and discussed the interim results and the interim report of the Group for the six months ended 31 December 2014.

The interim report for the six months ended 31 December 2014 had not been audited, but had been reviewed by the Company’s auditors, Ernst & Young.

## Corporate Governance and Other Information

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 December 2014.

### **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 Share Option Scheme. No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the period from the date of its adoption to 31 December 2014. There were no outstanding share options under the Share Option Scheme as at 31 December 2014.

### **Board of Directors**

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

By order of the Board  
**Sitoy Group Holdings Limited**

**Yeung Michael Wah Keung**  
*Chairman*

Hong Kong, 25 February 2015

# Report on Review of Interim Condensed Consolidated Financial Statements

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## **To the shareholders of Sitoy Group Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

### Introduction

We have reviewed the interim financial information set out on page 20 to 48, which comprise the interim condensed consolidated statement of financial position of Sitoy Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as at 31 December 2014 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard IAS 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

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

## Report on Review of Interim Condensed Consolidated Financial Statements

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### Scope of review

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

### Conclusion

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

### **Ernst & Young**

*Certified Public Accountants*

22nd Floor

CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

25 February 2015

## Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 31 December 2014

	Notes	Six months ended 31 December	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>REVENUE</b>	4	1,736,929	2,068,314
Cost of sales		(1,283,743)	(1,559,284)
Gross profit		453,186	509,030
Other income and gains	4	18,914	8,461
Selling and distribution costs		(79,126)	(68,998)
Administrative expenses		(135,745)	(129,774)
Other expenses		(909)	(9,182)
<b>PROFIT BEFORE TAX</b>	5	256,320	309,537
Income tax expense	6	(48,285)	(59,143)
<b>PROFIT FOR THE PERIOD</b>		208,035	250,394
Attributable to:			
Owners of the Company		208,035	250,394
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted (HK cents)	8	20.77	25.00

Details of the dividends for the reporting period are disclosed in note 7 to the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December 2014

	<b>Six months ended 31 December</b>	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>PROFIT FOR THE PERIOD</b>	208,035	250,394
<b>OTHER COMPREHENSIVE INCOME</b>		
Available-for-sale investment:		
Changes in fair value	–	30
Exchange differences on translation of foreign operations	7,978	11,648
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	7,978	11,678
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	216,013	262,072
Attributable to:		
Owners of the Company	216,013	262,072



# Interim Condensed Consolidated Statement of Financial Position

31 December 2014

		As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	435,005	428,837
Prepaid land lease payments		19,817	19,924
Intangible asset		4,140	4,140
Deferred tax assets		18,726	17,084
Prepayments		5,944	108
Total non-current assets		483,632	470,093
<b>CURRENT ASSETS</b>			
Inventories		304,378	299,024
Trade receivables	10	359,257	229,307
Prepayments, deposits and other receivables		52,394	66,994
Held-to-maturity investments		111,552	–
Pledged time deposits		23,071	22,929
Cash and cash equivalents		1,130,918	1,362,362
Total current assets		1,981,570	1,980,616
<b>CURRENT LIABILITIES</b>			
Trade payables	11	225,930	202,661
Other payables and accruals		134,803	120,256
Tax payable		87,059	147,295
Total current liabilities		447,792	470,212
<b>NET CURRENT ASSETS</b>		1,533,778	1,510,404
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,017,410	1,980,497

## Interim Condensed Consolidated Statement of Financial Position

31 December 2014

		As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
	Note		
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		1,193	17
Total non-current liabilities		1,193	17
Net assets		2,016,217	1,980,480
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	12	100,153	100,153
Reserves		1,916,064	1,880,327
Total equity		2,016,217	1,980,480

**Yeung Michael Wah Keung**  
Director

**Yeung Wo Fai**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2014

	Attributable to owners of the Company						
	Issued capital HK\$'000	Share premium account* HK\$'000	Merger reserve* HK\$'000	Statutory reserve fund* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
At 1 July 2014	100,153	1,010,081	4,030	42,492	30,406	793,318	1,980,480
Profit for the period	-	-	-	-	-	208,035	208,035
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	-	-	-	-	7,978	-	7,978
Total comprehensive income for the period	-	-	-	-	7,978	208,035	216,013
Dividends	-	-	-	-	-	(180,276)	(180,276)
Transfer from retained profits	-	-	-	3,106	-	(3,106)	-
At 31 December 2014 (unaudited)	100,153	1,010,081	4,030	45,598	38,384	817,971	2,016,217

## Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2014

	Attributable to owners of the Company							
	Issued capital	Share premium account*	Merger reserve*	Statutory reserve fund*	Available-for-sale investment revaluation reserve*	Exchange fluctuation reserve*	Retained profits*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 period	-	-	-	-	-	-	250,394	250,394
Other comprehensive income for the period:								
Changes in fair value of available-for-sale investment, net of tax	-	-	-	-	30	-	-	30
Exchange differences on translation of foreign operations	-	-	-	-	-	11,648	-	11,648
Total comprehensive income for the period	-	-	-	-	30	11,648	250,394	262,072
Dividends	-	-	-	-	-	-	(160,245)	(160,245)
Transfer from retained profits	-	-	-	3,805	-	-	(3,805)	-
At 31 December 2013 (unaudited)	100,153	1,010,081	4,030	36,415	(370)	46,584	645,688	1,842,581

\* These reserve accounts comprise the consolidated reserves of HK\$1,916,064,000 (31 December 2013: HK\$1,742,428,000) in the interim condensed consolidated statement of financial position.

## Interim Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2014

	<b>Six months ended 31 December</b>	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	90,041	392,880
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	(144,871)	(51,505)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITY</b>	(180,276)	(160,245)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(235,106)	181,130
Cash and cash equivalents at beginning of period	1,362,362	834,697
Effect of foreign exchange rate changes, net	3,662	4,829
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	1,130,918	1,020,656

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

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## 1. Corporate Information

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

The principal activities of the Company and its subsidiaries (together, the “Group”) are the manufacture and sale of handbags, small leather goods and travel goods.

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

The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 6 December 2011.

## 2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2014 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2014.

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 2.2 Significant Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 30 June 2014, except for the adoption of revised International Financial Reporting Standards ("IFRSs") as noted below.

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

IFRS 10, IFRS 12 and IAS 27 (Revised)	<i>Amendments to IFRS 10, IFRS 12 and IAS 27 Amendments (Revised) – Investment Entities</i>
IAS 19 Amendments	<i>Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions</i>
IAS 32 Amendments	<i>Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	<i>Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	<i>Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC Interpretation 21	<i>Levies</i>

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



## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

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### 3. Operating Segment Information

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

- (a) Manufacturing: produces handbags, small leather goods and travel goods for branding and resale by others; and
- (b) Retail: manufactures and retails handbags, small leather goods and travel goods for the brands owned by the Group.

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 3. Operating Segment Information (continued)

**Six months ended 31 December 2014 (unaudited)**

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	1,686,001	50,928	1,736,929
Intersegment sales	1,581	–	1,581
	1,687,582	50,928	1,738,510
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,581)
Total revenue			1,736,929
<b>Segment results</b>			
	259,989	(9,279)	250,710
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			5,610
Profit before tax			256,320
<b>Other segment information:</b>			
Depreciation of items of property, plant and equipment	21,157	3,275	24,432
Amortization of prepaid land lease payments	229	–	229
(Reversal of write-down)/write- down of inventories to net realizable value	(12,404)	467	(11,937)
Operating lease rentals	4,519	17,300	21,819
Capital expenditure*	19,046	9,609	28,655

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 3. Operating Segment Information (continued)

**Six months ended 31 December 2013 (unaudited)**

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	2,035,473	32,841	2,068,314
Intersegment sales	2,511	–	2,511
	2,037,984	32,841	2,070,825
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,511)
Total revenue			2,068,314
<b>Segment results</b>	320,349	(10,616)	309,733
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(196)
Profit before tax			309,537
<b>Other segment information:</b>			
Depreciation of items of property, plant and equipment	17,739	2,420	20,159
Amortization of prepaid land lease payments	229	–	229
Write-down of inventories to net realizable value	10,869	–	10,869
Operating lease rentals	4,374	12,846	17,220
Capital expenditure*	59,773	2,969	62,742

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

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 3. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2014 and as at the date of the last annual financial statements (30 June 2014).

**As at 31 December 2014 (unaudited)**

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
<b>Segment assets</b>	2,159,690	82,225	2,241,915
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(26,419)
Corporate and other unallocated assets			249,706
<b>Total assets</b>			<b>2,465,202</b>
<b>Segment liabilities</b>	439,843	35,254	475,097
<i>Reconciliation:</i>			
Elimination of intersegment payables			(26,419)
Corporate and other unallocated liabilities			307
<b>Total liabilities</b>			<b>448,985</b>

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 3. Operating Segment Information (continued)

**As at 30 June 2014 (audited)**

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
<b>Segment assets</b>	1,911,451	102,553	2,014,004
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(40,722)
Corporate and other unallocated assets			477,427
<b>Total assets</b>			<b>2,450,709</b>
<b>Segment liabilities</b>	463,354	46,928	510,282
<i>Reconciliation:</i>			
Elimination of intersegment payables			(40,722)
Corporate and other unallocated liabilities			669
<b>Total liabilities</b>			<b>470,229</b>

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 3. Operating Segment Information (continued)

**Geographical information**

(a) Revenue from external customers

	<b>Six months ended</b>	
	<b>31 December</b>	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
North America	986,582	1,108,413
Europe	452,223	408,900
Mainland China, Hong Kong and Taiwan	123,251	183,565
Other Asian countries	143,068	271,253
Others	31,805	96,183
	1,736,929	2,068,314

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

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 3. Operating Segment Information (continued)

**Geographical information (continued)***(b) Non-current assets*

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Mainland China and Hong Kong	464,906	453,009

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

**Information about major customers**

For the six months ended 31 December 2014, revenue derived from sales by the manufacturing activities segment to a major customer amounting to HK\$972,855,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of this customer.

For the six months ended 31 December 2013, revenue derived from sales by the manufacturing activities segment to two major customers respectively amounting to HK\$959,028,000 (unaudited) and HK\$508,147,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 4. Revenue, Other Income and Gains

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

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

	<b>Six months ended 31 December</b>	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sale of goods	1,736,929	2,068,314
<b>Other income and gains</b>		
Compensations from customers and suppliers	6,822	–
Interest income	6,557	4,149
Investment income from bank financial products	3,132	–
Government grants	–	4,095
Exchange gain, net	1,863	–
Others	540	217
	18,914	8,461



## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 5. Profit Before Tax

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

	<b>Six months ended 31 December</b>	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,283,743	1,559,284
Employee benefit expense including		
Directors' remuneration		
– Wages and salaries	403,148	432,915
– Pension scheme contributions	16,715	10,072
	419,863	442,987
Depreciation of items of property, plant and equipment	24,432	20,159
Amortization of prepaid land lease payments	229	229
Operating lease rentals	21,819	17,220
(Reversal of write-down)/write-down of inventories to net realizable value	(11,937)	10,869
Auditors' remuneration	1,236	1,390
Exchange (gain)/losses, net	(1,863)	7,516

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 6. Income Tax Expense

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2013: 16.5%) on the assessable profits arising in Hong Kong during the reporting period.

The provision for PRC corporate income tax ("CIT") is based on a statutory rate of 25% (six months ended 31 December 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.

The major components of income tax expense are as follows:

	<b>Six months ended 31 December</b>	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	39,157	46,313
Adjustments in respect of current income tax of previous years	(1,690)	11
Current – Mainland China		
Charge for the period	11,189	15,438
Deferred tax	(371)	(2,619)
<b>Total tax charge for the period</b>	<b>48,285</b>	<b>59,143</b>

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 7. Dividends

	<b>Six months ended 31 December</b>	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
.....		
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for the year ended 30 June		
2014: HK18 cents (year ended 30 June		
2013: 16 cents)	180,276	160,245
.....		
Dividends on ordinary shares proposed for approval (not recognized as a liability as at 31 December):		
Proposed interim – HK10 cents		
per ordinary share (six months ended 31		
December 2013: HK10 cents)	100,153	100,153
.....		

On 25 February 2015, the Board of Directors of the Company resolved to propose an interim dividend for the six months ended 31 December 2014 of HK10 cents (six months ended 31 December 2013: HK10 cents) per ordinary share out of the consolidated retained profits of the Group as at 31 December 2014.

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

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### 8. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2014 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (six months ended 31 December 2013: 1,001,532,000) in issue during the period.

No adjustment has been made to the basic earnings per share presented for the six months ended 31 December 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those periods.

### 9. Property, Plant and Equipment

During the six months ended 31 December 2014, the Group acquired property, plant and equipment with a cost of HK\$28,655,000 (six months ended 31 December 2013: HK\$62,742,000).

During the six months ended 31 December 2014, depreciation for property, plant and equipment was HK\$24,432,000 (six months ended 31 December 2013: HK\$20,159,000).

During the six months ended 31 December 2014, property, plant and equipment with a net book value of HK\$682,000 (six months ended 31 December 2013: HK\$958,000) were disposed of by the Group, resulting in a net loss on disposal of HK\$670,000 (six months ended 31 December 2013: HK\$66,000).

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

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 10. Trade Receivables

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Trade receivables	359,257	229,307
Impairment	–	–
	359,257	229,307

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 14 to 105 days. The credit period of individual customers is considered on a case-by-case basis. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

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

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Within 90 days	357,497	228,619
91 to 180 days	957	606
Over 180 days	803	82
	359,257	229,307

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 10. Trade Receivables (continued)

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

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Neither past due nor impaired	314,527	182,955
Past due but not impaired		
Less than 90 days	43,877	46,205
91 to 180 days	762	147
Over 180 days	91	–
	359,257	229,307

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 11. Trade Payables

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Trade payables	225,930	202,661

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

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Within 90 days	207,515	191,153
91 to 180 days	12,780	5,116
181 to 365 days	5,635	6,392
	225,930	202,661

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.

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 12. Share Capital

The movements in the authorized and issued share capital of the Company in the period ended 31 December 2014 are as follows:

	Number of ordinary shares	Nominal value HK\$ (Unaudited)
<b>Authorized ordinary shares of HK\$0.10 each:</b>		
As at 1 July 2014 and 31 December 2014	3,000,000,000	300,000,000
<b>Issued and fully paid ordinary shares of HK\$0.10 each:</b>		
As at 1 July 2014 and 31 December 2014	1,001,532,000	100,153,200

## 13. Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2014 (30 June 2014: nil)



## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 14. Operating Lease Arrangements

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

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

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Within one year	24,022	15,328
In the second to fifth years, inclusive	16,972	13,503
	40,994	28,831

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.

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 15. Commitments

In addition to the operating lease commitments detailed in note 14 above, the Group had the following capital commitments at the end of the reporting period:

	As at 31 December 2014 HK\$'000 (Unaudited)	As at 30 June 2014 HK\$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	4,363	7,951
Intangible asset	1,890	2,115
	6,253	10,066

## 16. Related Party Transactions

Compensation of key management personnel of the Group:

	<b>Six months ended 31 December</b>	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short term employee benefits	5,121	4,883
Post-employment benefits	77	75
Total compensation paid to key management personnel	5,198	4,958

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

## 17. 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)

**Assets measured at fair value:****Group****As at 31 December 2014 (unaudited)**

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held-to-maturity investments:	111,552	–	–	111,552

## Notes to Interim Condensed Consolidated Financial Statements

Six months ended 31 December 2014

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### 18. 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.

### 19. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on 25 February 2015.