



Sitoy

2016 INTERIM REPORT



時代集團控股有限公司
SIToy GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1023

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Corporate Information

Board of Directors

Executive Directors

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

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
Wan Chai, Hong Kong

Auditors

Ernst & Young

Stock Code

1023

Company Website

www.sitoy.com

Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Sitoy Group Holdings Limited (the “Company”) is pleased to present this interim report, including the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2015 (the “Period”).

Business Review

Manufacturing business

During the Period, the Group’s purchase orders received from its customers have decreased by 2.1% when compared with the same period in the previous year, which was mainly due to decrease in demand for high-end and luxury brand products in the worldwide market. However, the Group has been actively developing businesses with certain new brand customers of high-end and luxury products in international and China markets. Orders received from those new customers have partly offset certain effect of lower demand from the existing customers.

Although minimum wage level in mainland China keeps rising in recent years, China’s core competences nowadays lie in a labour force of higher level of craftsmanship, well developed supply chain and well equipped logistics facilities, these elements are essential to the Group in maintaining stable quality and services to its brand customers which make no compromise on product quality and need smooth and efficient logistics support to deliver products to both China and international markets.



Management Discussion and Analysis

Cost optimization is one of the Group's key strategies to maintain its considerable returns. Despite the rising labour cost and keener competition, the Group continuously upgrades itself to meet the higher requirements of both existing and new customers. The Group has made its best endeavours to tap new opportunities under a challenging business environment.

Retail business

The Group currently has two brands under its retail business. TUSCAN'S is a brand of high quality handbags originated from Italy, while Fashion & Joy, launched by the Group in September 2014, is a brand of travel luggage and business accessories, designed and expertly crafted for bold and young trend-setters who aspire stylish sophistication. Although there is a slowdown in the retail environment, retail business achieved stable growth during the Period. Revenue generated from this segment reached HK\$64.3 million, increased by 26.3% when compared with the same period in the previous year. Throughout the reporting period, the Group continued to review and adjust the number of points of sales of TUSCAN'S and Fashion & Joy in mainland China and Hong Kong. Revenue from retail business recorded a growth, showing that the operation efficiency of its retail network has enhanced and some stores have shown a strong same store sales growth ("SSSG"). Its retail stores spanned across Shanghai, Beijing, Hong Kong, Macau, Guangdong, Shenzhen, Chongqing, Chengdu, Yunnan, Hubei, Hunan and Jiangsu. The Group launched e-commerce business in the fourth quarter of fiscal year 2014. With the reinforcement by the Group's promotional and marketing campaigns across the on-line and off-line sales channels to build up the brand's image during the Period, together with the implement of cost control policies, the retail business has improved gradually.

The Group will put more efforts on e-commerce development and is currently liaising with certain famous e-commerce platforms to expand its retail business online.

Management Discussion and Analysis

Product research, development and design

The in-house Creative Center and R&D Center of the Group offer customers one-stop design, research, development and manufacturing solutions, which help 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 mainland China brands in the level of high-end and luxury products as its customers.

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

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

	IPO proceeds		Used up to 31 December 2015	Unused balance
	HK\$'million	Percentage	HK\$'million	HK\$'million
Second phase of Yingde manufacturing facility	251.4	35%	153.0	98.4
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	57.8	85.8
Expansion of retail business	251.4	35%	225.7	25.7
Working capital	71.8	10%	71.8	–
	718.2	100%	508.3	209.9

Management Discussion and Analysis

Prospect

Looking ahead, the slowdown in China economy brings to the world more uncertainties and keener competitions are expected in the manufacturing industry, therefore, the remaining six months of this fiscal year will be full of challenges. To gear up for the headwinds, the Group will strengthen its core competitive advantages in order to bring in more international and China brands in the level of high-end and luxury products as its new customers. At the same time, the Group will utilize the production capacity of manufacturing retractable luggage handle systems and hard cases. Therefore, the Group will put more effort to explore the growing travel goods market. In the coming six months, the Group will actively build partnership with both international and mainland China high-end and luxury travel goods retailers.



Management Discussion and Analysis

For the retail business, the Group will focus on enhancing the operation efficiency and achieving higher SSSG of its existing stores. It plans to set up new TUSCAN'S and Fashion & Joy brand image stores in both Hong Kong and mainland China, especially in Shanghai, Beijing and Southwest China regions. The Group will adopt a prudent approach in 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 and enhance the familiarities. The Group is also actively liaising with certain international retail brands to introduce their products to Greater China markets. It is also looking for appropriate acquisition targets in order to further diversify and enrich its retail brand portfolio.

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

The retail business development was and is expected to be funded with the proceeds from the IPO.



Management Discussion and Analysis

Financial Review

Revenue

The revenue decreased by 2.8% to HK\$1,688.4 million for the six months ended 31 December 2015 from HK\$1,736.9 million for the six months ended 31 December 2014. This decrease was primarily due to a decrease in demand from the high-end and luxury brand customers.

Cost of sales

Cost of sales of the Group decreased by 4.9% to HK\$1,220.6 million for the six months ended 31 December 2015 from HK\$1,283.7 million for the six months ended 31 December 2014. Apart from the decrease in the sales orders received from the customers, the depreciation of Renminbi (“RMB”) against Hong Kong dollars (“HK\$”) also contributed to the decrease in cost of sales to a certain extent.

Gross profit and gross profit margin

Gross profit slightly increased by 3.2% to HK\$467.8 million for the six months ended 31 December 2015 from HK\$453.2 million for the six months ended 31 December 2014. Gross profit margin increased to 27.7% for the six months ended 31 December 2015 when compared with 26.1% for the six months ended 31 December 2014 due to tight control over the costs and depreciation of RMB against HK\$.

Selling and distribution costs

Selling and distribution costs increased by 5.5% to HK\$83.5 million for the six months ended 31 December 2015 from HK\$79.1 million for the six months ended 31 December 2014. The increase was due to more promotions and marketing campaigns launched for retail business during the Period.

Administrative expenses

Administrative expenses decreased slightly by 0.8% to HK\$134.7 million for the six months ended 31 December 2015 from HK\$135.7 million for the six months ended 31 December 2014.

Management Discussion and Analysis

Income tax expense

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

Hong Kong Profit Tax as applicable to the Group was 16.5% for the six months ended 31 December 2015 and 2014 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 20.8% for the six months ended 31 December 2015 (31 December 2014: 18.8%). The increase in effective tax rate was due to more profit generated from the PRC areas which was charged at 25% of the assessable profit.

Profit for the Period

Profit for the Period decreased by HK\$9.7 million to HK\$198.3 million for the six months ended 31 December 2015 from HK\$208.0 million for the six months ended 31 December 2014. As a percentage of revenue, profit maintained at 11.7% for the six months ended 31 December 2015 when compared with 12.0% for the six months ended 31 December 2014.

Held-to-maturity investments

As at 31 December 2015, held-to-maturity investments with carrying amount of HK\$105,863,000 (30 June 2015: nil) were acquired during the Period and denominated in RMB, which carried fixed interest rate from 4.2% to 5.4% per annum and will be matured in February and June 2016.

Management Discussion and Analysis

Capital expenditure

For the six months ended 31 December 2015, the capital expenditure of the Group amounted to HK\$19.1 million, primarily related to upgrading existing manufacturing facilities in both 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 Period.

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 2015 amounted to HK\$1,276.9 million (30 June 2015: HK\$1,322.6 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 2015 and 30 June 2015 hence no gearing ratio is presented.



Management Discussion and Analysis

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 2015, 96.0% (year ended 30 June 2015: 96.6%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 52.3% (year ended 30 June 2015: 41.3%) of costs were denominated in the units' functional currency. As at 31 December 2015, the Group had no foreign exchange forward contracts and other financial derivatives outstanding.



Management Discussion and Analysis

Pledge of Assets

As at 31 December 2015, HK\$22.1 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2015: HK\$23.2 million).

Inventory turnover days

Inventory turnover days increased to 61 days for the six months ended 31 December 2015 from 57 days for the year ended 30 June 2015. The increase in inventory turnover days was due to decrease in cost of sales and increase in average inventories level.

Trade receivables turnover days

Trade receivables turnover days decreased slightly to 30 days for the six months ended 31 December 2015 compared with 32 days for the year ended 30 June 2015. The Group did not experience any significant credit risk due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days decreased slightly to 51 days for the six months ended 31 December 2015 compared with 53 days for the year ended 30 June 2015.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 31 December 2015, the Group did not have any material off-balance sheet commitments and arrangements. The Group did not have any contingent liabilities as at 31 December 2015.

Management Discussion and Analysis

Employees

As at 31 December 2015, the Group had over 11,000 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.

The Company also adopted a share option scheme approved on 15 November 2011 for the purpose of recognition of employees' contribution. Details have been set out in the "Share Option Scheme" section.

Management Discussion and Analysis

Dividend, Record and Payment Dates

The Directors have declared the payment of an interim dividend of HK10 cents (31 December 2014: HK10 cents) per share to the shareholders for the six months ended 31 December 2015 in recognition of continual support of the shareholders. The interim dividend will be paid to shareholders whose names appeared on the register of members of the Company on 24 March 2016. It is expected that the interim dividend will be paid on or before 15 April 2016.

Closure of Register of Members

The register of members of the Company will be closed on 23 March 2016 and 24 March 2016, both dates 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, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 22 March 2016.

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 2015, 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:

(a) Long positions

Name of Director	Capacity/ Nature of interest	Number of ordinary shares of the Company interested	Number of underlying ordinary shares of the Company interested pursuant to share options	Percentage of the Company's issued shares
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%
Mr. Chan Ka Dig Adam	Beneficial owner/ personal interest	–	1,799,000	0.18%

Details of the Directors' interests in share options granted by the Company are set out below under the heading "Share Option Scheme".

Corporate Governance and Other Information

(b) Rights to Acquire Shares of the Company

Save as disclosed in the section headed “Share Option Scheme” below, at no time during the Period, the Directors or chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or had exercised, any rights to subscribe for shares (warrants or debentures, if applicable) of the Company or any of its associated corporation required to be disclosed pursuant to the SFO.

Other than as disclosed herein, at no time during the Period was the Company, its subsidiaries or holding companies a party to any arrangements to enable the Directors to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 31 December 2015, 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 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.

Corporate Governance and Other Information

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

As at 31 December 2015, 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 2015.

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.

Change in Director's information

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

Mr. Yeung Chi Tat resigned as an independent non-executive director of KFM Kingdom Holdings Limited (stock code: 3816) on 3 February 2016. He is currently the vice president of Hong Kong General Chamber of Wine & Spirits.

Corporate Governance and Other Information

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as 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 2015.

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 interim condensed consolidated financial statements for the six months ended 31 December 2015 had not been audited, but the audit committee has discussed with the management of the Company and the external auditors, Ernst & Young, on the appropriateness and consistency of the accounting policies that have been adopted by the Company. In addition, Ernst & Young has performed certain agreed upon procedures in accordance with the request of the audit committee regarding the interim results and the interim report for the six months ended 31 December 2015 and reported to the audit committee accordingly. The audit committee has reviewed the interim results and the interim report of the Group for the six months ended 31 December 2015.

Corporate Governance and Other Information

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 2015.

Share Option Scheme

A share option scheme was approved and adopted by shareholders of the Company on 15 November 2011 (the "Share Option Scheme") to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants of the scheme. During the six months ended 31 December 2015, share options to subscribe for a total of 9,408,000 ordinary shares of HK\$0.1 each of the Company were conditionally or unconditionally (as the case may be) granted and share options conditionally granted to subscribe for 1,799,000 ordinary shares of HK\$0.10 each of the Company were lapsed under the Share Option Scheme. Accordingly, share options to subscribe for 7,609,000 ordinary shares of HK\$0.10 each of the Company were outstanding as at 31 December 2015.

As at 31 December 2015, no share option has been vested and no share is issuable for the outstanding share options granted under the Share Option Scheme.

Details of the movements of the share options under the Share Option Scheme during the six months ended 31 December 2015 are as follows:

Grantees	Date of Grant	Exercise Price	Exercise Period	Number of Share Options					Balance as at 31 December 2015
				Balance as at 1 July 2015	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
<i>Directors:</i>									
Mr. Yeung Andrew Kin	21 September 2015	HK\$3.84 (ii)	21 September 2016 to 20 September 2025 (iii)	-	1,799,000	-	-	(1,799,000) (iv)	-
Mr. Chan Ka Dig Adam	21 September 2015	HK\$3.84 (ii)	21 September 2016 to 20 September 2025 (iii)	-	1,799,000	-	-	-	1,799,000
Sub-total:				-	3,598,000	-	-	(1,799,000)	1,799,000

Corporate Governance and Other Information

				Number of Share Options					
Grantees	Date of Grant	Exercise Price	Exercise Period	Balance	Granted	Exercised	Cancelled	Lapsed	Balance
				as at 1 July 2015	during the Period	during the Period	during the Period	during the Period	as at 31 December 2015
Eligible employees (i)	21 September 2015	HK\$3.84 (ii)	21 September 2016 to 20 September 2025 (iii)	-	5,810,000	-	-	-	5,810,000
Grand Total:				-	9,408,000	-	-	(1,799,000)	7,609,000

Notes:

- (i) Share options were granted to certain eligible employees, all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with share options not exceeding the respective individual limits.
- (ii) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 18 September 2015) was HK\$3.84.
- (iii) The share options granted to the above Director(s) and eligible employees shall be vested in three equal tranches subject to the certain vesting conditions as set out in their respective offer letters, including, among others, financial targets of the Group. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting and exercise periods of the share options are as follows:

Share options	Vesting period	Exercise period
One-third of share options (rounded up to the nearest 1,000 share options)	21.09.2015 to 20.09.2016	21.09.2016 to 20.09.2025
One-third of share options (rounded up to the nearest 1,000 share options)	21.09.2015 to 20.09.2017	21.09.2017 to 20.09.2025
Remaining share options	21.09.2015 to 20.09.2018	21.09.2018 to 20.09.2025

- (iv) The values of share options are subject to (i) subjectivity and uncertainty relating to the assumptions to which such values are subject; and (ii) limitation of the model used to estimate such values. The fair value of share options as at the date of grant, its calculation and the model and assumptions used to estimate the fair value of share options are set out in note 14 to the interim condensed consolidated financial statements.

Corporate Governance and Other Information

- (v) 1,799,000 share options conditionally granted to Mr. Yeung Andrew Kin had lapsed as such grant of share options was conditional upon approval by independent shareholders of the Company by way of ordinary resolution and such condition was not fulfilled at the extraordinary general meeting held on 16 November 2015.

Except as disclosed above, no share option lapsed or was granted, exercised or cancelled under the Share Option Scheme during the six months ended 31 December 2015.

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, 23 February 2016

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2015

				For the six months ended 31 December	
				2015	2014
				HK\$'000	HK\$'000
				(Unaudited)	(Unaudited)
				Notes	
REVENUE	4		1,688,387		1,736,929
Cost of sales			(1,220,607)		(1,283,743)
Gross profit			467,780		453,186
Other income and gains	4		13,788		18,914
Selling and distribution costs			(83,450)		(79,126)
Administrative expenses			(134,659)		(135,745)
Other expenses			(13,083)		(909)
PROFIT BEFORE TAX	5		250,376		256,320
Income tax expense	6		(52,063)		(48,285)
PROFIT FOR THE PERIOD			198,313		208,035
Attributable to:					
Owners of the Company			198,313		208,035
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic and diluted					
– For profit for the period (HK cents)	8		19.80		20.77

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

For the six months ended 31 December 2015

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	198,313	208,035
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(66,820)	7,978
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(66,820)	7,978
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	131,493	216,013
Attributable to:		
Owners of the Company	131,493	216,013

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	397,790	430,353
Prepaid land lease payments		18,226	19,594
Intangible asset		5,559	4,140
Deferred tax assets		15,017	18,023
Prepayments		148	346
Total non-current assets		436,740	472,456
CURRENT ASSETS			
Inventories		356,783	434,611
Trade receivables	10	182,215	363,640
Prepayments, deposits and other receivables		52,371	62,972
Held-to-maturity investments		105,863	–
Pledged time deposits		22,141	23,233
Cash and cash equivalents		1,276,870	1,322,589
Total current assets		1,996,243	2,207,045
CURRENT LIABILITIES			
Trade payables	11	158,313	323,321
Other payables and accruals		117,465	120,413
Tax payable		32,413	112,638
Total current liabilities		308,191	556,372
NET CURRENT ASSETS		1,688,052	1,650,673
TOTAL ASSETS LESS CURRENT LIABILITIES		2,124,792	2,123,129

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2015

	Note	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
NON-CURRENT LIABILITY			
Deferred tax liability		2,196	3,184
Total non-current liability		2,196	3,184
Net assets		2,122,596	2,119,945
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	100,153	100,153
Reserves		2,022,443	2,019,792
Total equity		2,122,596	2,119,945

Yeung Michael Wah Keung
Director

Yeung Wo Fai
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium account* HK\$'000	Share option reserve* HK\$'000	Merger reserve* HK\$'000	Statutory reserve fund* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	
At 1 July 2015	100,153	1,010,081	-	4,030	50,718	38,353	916,610	2,119,945
Profit for the period	-	-	-	-	-	-	198,313	198,313
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(66,820)	-	(66,820)
Total comprehensive income for the period	-	-	-	-	-	(66,820)	198,313	131,493
Dividends	-	-	-	-	-	-	(130,199)	(130,199)
Equity-settled share option arrangements	-	-	1,357	-	-	-	-	1,357
Transfer from retained profits	-	-	-	-	7,827	-	(7,827)	-
At 31 December 2015 (unaudited)	100,153	1,010,081	1,357	4,030	58,545	(28,467)	976,897	2,122,596

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015

	Attributable to owners of the Company						Total HK\$'000
	Share 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	
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

* These reserve accounts comprise the consolidated reserves of HK\$2,022,443,000 (31 December 2014: HK\$1,916,064,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	240,579	90,041
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(120,561)	(144,871)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(130,199)	(180,276)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,181)	(235,106)
Cash and cash equivalents at beginning of the period	1,322,589	1,362,362
Effect of foreign exchange rate changes, net	(35,538)	3,662
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,276,870	1,130,918

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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 and provision of advertising and marketing services.

Pursuant to a group reorganization completed on 13 July 2011, the Company became the holding company of the subsidiaries now 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. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2015 have been prepared in accordance with International Accounting Standard 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 2015.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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, and provision of advertising and marketing services.

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 or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss 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

For the six months ended 31 December 2015

3. Operating Segment Information (continued)

For the six months ended 31 December 2015 (unaudited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	1,636,522	51,865	1,688,387
Intersegment sales	14,873	12,452	27,325
	1,651,395	64,317	1,715,712
<i>Reconciliation:</i>			
Elimination of intersegment sales			(27,325)
Total revenue			1,688,387
Segment results			
	270,505	(4,123)	266,382
<i>Reconciliation:</i>			
Corporate and other unallocated expenses, net			(16,006)
Profit before tax			250,376
Other segment information:			
Depreciation of items of property, plant and equipment	21,378	4,486	25,864
Amortization of prepaid land lease payments	223	–	223
Write-down of inventories to net realizable value	2,267	198	2,465
Operating lease rentals	3,576	20,409	23,985
Capital expenditure*	11,947	7,144	19,091

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. Operating Segment Information (continued)

For the six months ended 31 December 2014 (unaudited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment revenue:			
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
Segment results			
	259,989	(9,279)	250,710
<i>Reconciliation:</i>			
Corporate and other unallocated income, net			5,610
Profit before tax			256,320
Other segment information:			
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

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2015 and as at the date of the last annual financial statements (30 June 2015).

As at 31 December 2015 (unaudited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment assets	2,281,894	128,880	2,410,774
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(96,733)
Corporate and other unallocated assets			118,942
Total assets			2,432,983
Segment liabilities	309,511	97,002	406,513
<i>Reconciliation:</i>			
Elimination of intersegment payables			(96,733)
Corporate and other unallocated liabilities			607
Total liabilities			310,387

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

3. Operating Segment Information (continued)

As at 30 June 2015 (audited)

	Manufacturing HK\$'000	Retail HK\$'000	Total HK\$'000
Segment assets	2,088,280	158,333	2,246,613
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(88,608)
Corporate and other unallocated assets			521,496
Total assets			2,679,501
Segment liabilities	530,336	117,004	647,340
<i>Reconciliation:</i>			
Elimination of intersegment payables			(88,608)
Corporate and other unallocated liabilities			824
Total liabilities			559,556

Notes to Interim Condensed Consolidated Financial Statements
For the six months ended 31 December 2015

3. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
North America	893,545	986,582
Europe	397,400	452,223
Mainland China, Hong Kong, Macau and Taiwan	170,874	123,251
Other Asian countries	188,833	143,068
Others	37,735	31,805
	1,688,387	1,736,929

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

For the six months ended 31 December 2015

3. Operating Segment Information (continued)

Geographical information (continued)

(b) *Non-current assets*

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Mainland China, Hong Kong and Macau	421,723	454,433

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 2015, revenue derived from sales by the manufacturing activities segment to two major customers respectively amounting to HK\$766,663,000 (unaudited) and HK\$218,594,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the six months ended 31 December 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 these customers.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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:

	For the six months ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	1,688,387	1,736,929
Other income and gains		
Net sample and material income	934	6,822
Interest income	10,530	6,557
Investment income from held-to-maturity investments	1,227	3,132
Exchange gain, net	–	1,863
Others	1,097	540
	13,788	18,914

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

5. Profit Before Tax

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

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of inventories sold	1,220,607	1,283,743
Employee benefit expense including		
Directors' remuneration		
– Wages and salaries	411,263	403,148
– Pension scheme contributions	14,200	16,715
– Equity-settled share option expense	1,357	–
	426,820	419,863
Depreciation of items of property, plant and equipment	25,864	24,432
Amortization of prepaid land lease payments	223	229
Operating lease rentals	23,985	21,819
Write-down/(reversal of write-down) of inventories to net realizable value	2,465	(11,937)
Auditors' remuneration	800	1,236
Exchange losses/(gain), net	12,596	(1,863)

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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 2014: 16.5%) on the assessable profits arising in Hong Kong during the reporting period.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit during the six months ended 31 December 2015 (six months ended 31 December 2014: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2014: 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.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

6. Income Tax Expense (continued)

The major components of income tax expense are as follows:

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current – Hong Kong		
Charged for the period	25,002	39,157
Adjustments in respect of current income tax of previous years	–	(1,690)
Current – Mainland China		
Charged for the period	25,905	11,189
Deferred tax	1,156	(371)
Total tax charged for the period	52,063	48,285

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

7. Dividends

	For the six months ended 31 December	
	2015	2014
	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		
2015: HK13 cents (year ended 30 June		
2014: HK18 cents)	130,199	180,276
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 2014: HK10 cents)	100,153	100,153

On 23 February 2016, the Board of Directors of the Company resolved to propose an interim dividend for the six months ended 31 December 2015 of HK10 cents (six months ended 31 December 2014: HK10 cents) per ordinary share out of the consolidated retained profits of the Group as at 31 December 2015.

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 2015 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 2014: 1,001,532,000) in issue during the period.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

8. Earnings Per Share (continued)

For the six months ended 31 December 2015, the calculation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options were higher than the average market price of the shares of the Company (six months ended 31 December 2014: nil).

9. Property, Plant and Equipment

During the six months ended 31 December 2015, the Group acquired property, plant and equipment with a cost of HK\$17,672,000 (six months ended 31 December 2014: HK\$28,655,000).

During the six months ended 31 December 2015, depreciation for property, plant and equipment was HK\$25,864,000 (six months ended 31 December 2014: HK\$24,432,000).

During the six months ended 31 December 2015, property, plant and equipment with a net book value of HK\$130,000 (six months ended 31 December 2014: HK\$682,000) were disposed of by the Group, resulting in a net loss on disposal of HK\$112,000 (six months ended 31 December 2014: HK\$670,000).

10. Trade Receivables

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Trade receivables	182,719	364,144
Impairment	(504)	(504)
	182,215	363,640

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

10. 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 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 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Within 90 days	172,652	361,125
91 to 180 days	8,558	1,684
Over 180 days	1,005	831
	182,215	363,640

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

10. Trade Receivables (continued)

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
At beginning of period/year	504	–
Impairment losses recognized	–	504
	504	504

As at 31 December 2015, included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK\$504,000 (30 June 2015: HK\$504,000) with a carrying amount before provision of HK\$662,000 (30 June 2015: HK\$840,000).

The individually impaired trade receivable relates to a customer that was in financial difficulty or was in default in principal payment and only a portion of the receivable is expected to be recovered.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Neither past due nor impaired	123,176	330,775
Past due but not impaired		
Less than 90 days	57,840	31,663
91 to 180 days	446	758
Over 180 days	595	108
	182,057	363,304

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

For the six months ended 31 December 2015

11. Trade Payables

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Trade payables	158,313	323,321

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 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Within 90 days	143,107	313,345
91 to 180 days	8,502	8,950
181 to 365 days	5,852	482
Over 365 days	852	544
	158,313	323,321

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

For the six months ended 31 December 2015

12. Share Capital

The movements in the authorized and issued share capital of the Company during the six months ended 31 December 2015 are as follows:

	Number of ordinary shares	Nominal value HK\$ (Unaudited)
Authorized ordinary shares of HK\$0.10 each:		
As at 1 July 2015 and 31 December 2015	3,000,000,000	300,000,000
Issued and fully paid ordinary shares of HK\$0.10 each:		
As at 1 July 2015 and 31 December 2015	1,001,532,000	100,153,200

13. Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2015 (30 June 2015: nil).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

14. Share-Based Payments

In September 2015, 7,609,000 share options were granted to senior staff under a share option scheme. The exercise price of the options of HK\$3.84 was equal to the market price of the shares on the date of grant. Vesting of the options is conditional upon the fulfilment of vesting considerations as determined by the directors. The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is ten years. There is no cash settlement of the options. The fair value of options granted during the six months ended 31 December 2015 was estimated on the date of grant using the following assumptions:

.....
Dividend yield (%)	5.99
Expected volatility (%)	38.84
Risk-free interest rate (%)	1.619
Expected life of share options (years)	10
Weighted average share price (HK\$)	3.70
.....

The weighted average fair value of the options granted during the six month period was HK\$1.05.

For the six months ended 31 December 2015, the Group has recognized HK\$1,357,000 of share-based payment expense in the condensed consolidated statement of profit or loss (31 December 2014: nil).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

15. Operating Lease Arrangements

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

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

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Within one year	31,474	29,151
In the second to fifth years, inclusive	25,773	30,689
	57,247	59,840

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

For the six months ended 31 December 2015

16. Commitments

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

	As at 31 December 2015 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	400	965
Intangible asset	178	1,612
	578	2,577

17. Related Party Transactions

Compensation of key management personnel of the Group:

	For the six months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short term employee benefits	5,272	5,121
Post-employment benefits	99	77
Equity-settled share option expense	321	–
Total compensation paid to key management personnel	5,692	5,198

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2015

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 interim condensed consolidated financial statements.

19. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on 23 February 2016.