2018年報

ANNUAL REPORT

SITOY GROUP HOLDINGS LIMITED

時代集團控股有限公司
SITOY GROUP HOLDINGS LTD.

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

Stock Code 股份代號: 1023

OUR VALUES
我們的價值

Sitoy Group Holdings Limited (the "Company" or "Sitoy Group") and its subsidiaries (together, the "Group") are one of the world's leading manufacturers of branded high-end and luxury handbags, small leather goods and travel goods and a brand distributor in Greater China. The Group is principally engaged in design, research, development, manufacturing, sales, retailing and wholesales of handbags, small leather goods, travel goods and footwear products, provision of advertising and marketing services, and property investment. Since 2011, the Group has entered the rapidly growing China handbag retailing market and become a vertically integrated handbag and small leather goods company. Now the Group owns the exclusive rights for distribution and operation in Hong Kong and mainland China of two major international brands Cole Haan and Kenneth Cole and the exclusive rights for distribution and operation in mainland China of a. testoni, i29 and Jockey.

時代集團控股有限公司(「本公司」或「時代集團」)及其附屬公司(統稱「本集團」)為世界頂尖的高端品牌及奢侈手袋、小皮具及旅行用品製造商之一，也是大中華區品牌分銷商。本集團主要從事手袋、小皮具、旅行用品及鞋履產品設計、研發、製造、銷售、零售及批發，提供廣告及營銷服務，以及物業投資。由二零一一年起，本集團已進駐增長迅速的中國手袋零售市場，成為垂直整合手袋及小型皮革產品公司。目前本集團擁有兩大國際品牌Cole Haan及Kenneth Cole於香港及中國內地的獨家分銷及經營權，和a. testoni、i29，以及Jockey在中國內地的獨家分銷及經營權。

CONTENTS

ABOUT FASHION & JOY

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

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

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

Fashion & Joy Fall Winter 2018 Campaign

ABOUT JOCKEY

For more than 140 years, Jockey has led the apparel industry by producing garments that connect with our spirit of adventure. Our legacy, based on ingenuity, vitality and authenticity, celebrates Jockey as a pioneering brand of progressive and independent thinking. As a world-class brand, Jockey continues to inspire a renewed sense of individuality and freedom of movement in today's men and women across the world ultimately satisfying the human need for comfort.

Jockey International, Inc. is a privately held American company, founded in 1876 by Samuel T. Cooper. Today, Jockey is a leading manufacturer and marketer of apparel products sold in more than 120 countries. The 140-year old company is committed to quality, comfort, fashion, innovation and value.

JOCKEY Fall Winter 2018 Campaign

Cole Haan Fall Winter 2018 Campaign

I29 Fall Winter 2018 Campaign

ABOUT COLE HAAN

Cole Haan, with its Global headquarters in Greenland, New Hampsphire and Creative Center in New York City, is an iconic American lifestyle accessories brand and retailer of premium men's and women's footwear and bags. Cole Haan stands for its commitment to craftsmanship, timeless style and innovative design.

ABOUT I29

a.testoni, a luxury brand from Bologna which crafts footwear and leather fashions, has launched a new brand – I29 a.testoni, through its groundbreaking creative ideas.

The launching of the I29 is inspired by way of life and daily necessities, for instance, music, travel and sports in Italy. 'I' represents a strong sense of self-recognition, and '29' refers to the founding year of a.testoni, it also implies a sense of eternity.

By applying the colours originated from Bologna, i.e. red, blue and metallic gold, this is the trademark for I29. Each of the series under the bands is inspired by different genre in music and names as follows: rock, pop, punk and hip-hop.

The iconic design for I29 – '6 stars' adopts 6 studs which have a star shape in the making. It entitles the fashion trend and sense of avant-grade to footwear and accessories under I29. The major material used for I20 is kipskin. Further to this, we adopt a variety of other material such as tweed and fur fabric for innovative production.

ABOUT TUSCAN'S

In 1974, Mr Antonio Perrotti and Mr Giovanni Starnini co-founded TUSCAN'S in a bid to set the trend with premium leather.

The Italian city of Florence in Tuscany is the cradle of traditional Italian leather craftsmanship. The city has been home to some of the shiniest names in fashion for centuries. Embodying the romantic atmosphere of the terroir, TUSCAN'S lays claim to the rich leatherwork heritage of Florence. Tuscan's entered the mainland China and Hong Kong market in 2011, with an aim to spark off a transformation in style that blends Italian Style with Eastern fashion and puts personality and classic design to the fore.

Tuscan's Fall Winter 2018 Campaign

ABOUT A.TESTONI

Young Amedeo Testoni opened his first workshop in 1929, after having learnt the secrets of the most important Bolognese craftsmen. In the 1950's, he improved on the traditional Bolognese production to fulfil his dream of creating the most beautiful shoes in the world.

Old methodologies and unique competencies formed the basis for this company, which still takes pride in selecting only the finest materials and achieving the highest quality – without compromise. The brand's philosophy aims for original technical and aesthetic solutions, and its history contains the prerequisites for continuous innovation and development, to affirm the future of artisan craftsmanship and ensure international recognition of modern Italian style in the world.

a.testoni Fall Winter 2018 Campaign

ABOUT KENNETH COLE

Kenneth Cole Fall Winter 2018 Campaign

Kenneth Cole is an American designer, social activist, and visionary who believes business and philanthropy are interdependent. His global company, Kenneth Cole Productions, creates modern and functional clothing, shoes, and accessories for inspirational urban lifestyles under the brand names Kenneth Cole New York, Kenneth Cole Reaction and Unlisted, A Kenneth Cole Production, as well as footwear under the name Gentle Souls. Throughout these 30 years, Kenneth Cole leveraged his passion and unique brand platform to make a meaningful impact on people's wardrobes, as well as communities in need. He is a pioneer. Today, The Kenneth Cole Foundation remains committed to helping communities in need by supporting Collective Health, Civil Liberties, and Artistic Activism.

Kenneth Cole Fall Winter 2018 Campaign

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yeung Michael Wah Keung *(Chairman)*
Mr. Yeung Wo Fai *(Chief Executive Officer)*
Mr. Yeung Andrew Kin *(Deputy General Manager)*
Mr. Lau Kin Shing, Charles *(Chief Financial Officer)*

Independent Non-executive Directors

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

AUTHORIZED REPRESENTATIVES

Mr. Yeung Wo Fai
Mr. Lau Kin Shing, Charles

COMPANY SECRETARY

Mr. Lau Kin Shing, Charles

REGISTERED OFFICE

Grand Pavilion, Hibiscus Way
802 West Bay Road, P.O. Box 31119
KY1-1205, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9th Floor, Sitoy Tower
164 Wai Yip Street, 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

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

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.,
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

AUDITORS

Ernst & Young

STOCK CODE

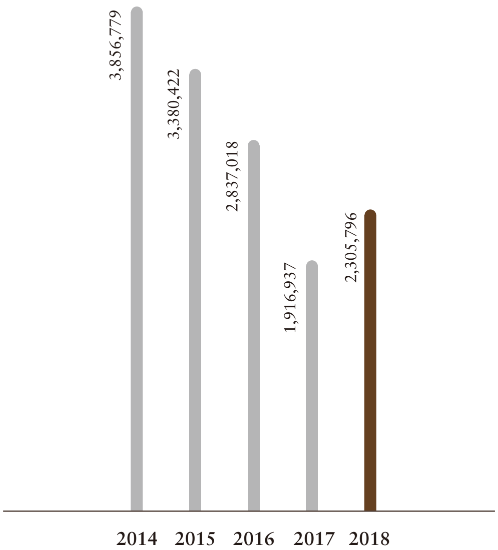
1023

COMPANY WEBSITE

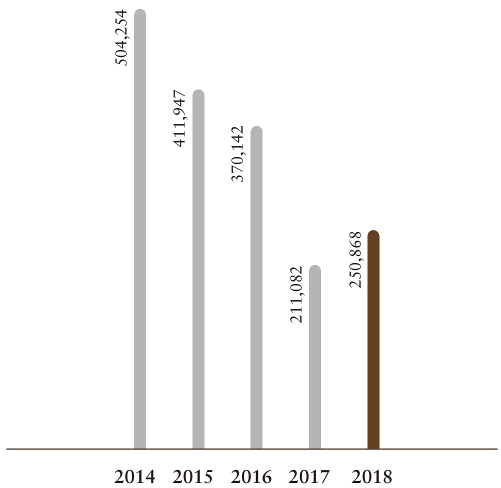
www.sitoy.com

FINANCIAL HIGHLIGHTS

REVENUE
HK$'000

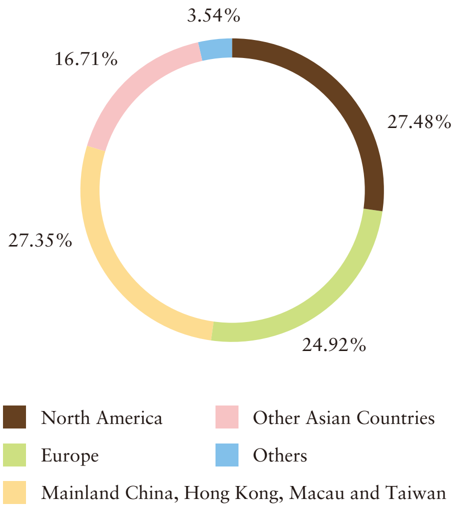


PROFIT FOR THE YEAR
HK$'000

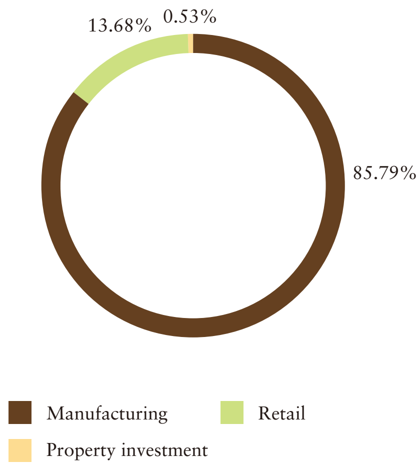


Consolidated revenue increased by 20.3% year-on-year to HK$2,305.8 million

2018 REVENUE BY GEOGRAPHICAL SEGMENT



2018 REVENUE BY OPERATING SEGMENT



Geographically, North America and Mainland China, Hong Kong, Macau and Taiwan were our two largest markets

FINANCIAL HIGHLIGHTS

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Revenue	**2,305,796**	1,916,937
Gross profit	**637,219**	518,134
Profit before tax	**282,197**	236,394
Profit for the year	**250,868**	211,082
Net assets per share (note 1) (approximately)	**HK$2.20**	HK$2.06
Basic earnings per share (note 2) (approximately) (HK cents)	**25.63**	21.08
Dividends per share (note 3) (HK cents)	**12**	12
Total assets	**2,556,089**	2,334,570
Net assets	**2,201,976**	2,062,598
Current ratio	**4.09 times**	4.66 times
Quick ratio	**3.15 times**	3.78 times
Gearing ratio	**N/A**	N/A
Return on equity	**11.4%**	10.2%
Return on total assets	**9.8%**	9.0%

Notes:

1. The calculation of the net assets per share amount is based on the net assets as at 30 June 2018 to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (30 June 2017: 1,001,532,000) in issue during the year.

2. The calculation of the basic earnings per share amount is based on the profit for the year ended 30 June 2018 attributable to ordinary equity holders of the Company of approximately HK$256,675,000 (year ended 30 June 2017: HK$211,082,000), and the weighted average number of ordinary shares of 1,001,532,000 (30 June 2017: 1,001,532,000) in issue during the year.

3. The Directors (as defined below) recommended the payment of a final dividend of HK6 cents per share for the year ended 30 June 2018 (30 June 2017: HK6 cents per share). Together with the interim dividend of HK6 cents per share for the period ended 31 December 2017 (31 December 2016: HK6 cents), the annual dividend will amount to HK12 cents per share for the year ended 30 June 2018 (30 June 2017: HK12 cents). For more details, please refer to note 11 to the consolidated financial statements.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present the annual results for the year ended 30 June 2018 ("FY2018" or the "Year under Review") of Sitoy Group Holdings Limited (the "Company" or "Sitoy Group") and its subsidiaries (collectively referred to as the "Group") to you.

OVERALL RESULTS

During the Year under Review, the Group's retail business achieved significant breakthroughs and made substantial contribution to revenue and profit before taxation of the Group. Meanwhile, orders of the manufacturing business also increased steadily. Driven by both retail and manufacturing business, the Group's revenue increased by 20.3% to approximately HK$2,305.8 million in FY2018. Gross profit margin slightly increased to 27.6%. Gross profit increased by 23.0% year-on-year to approximately HK$637.2 million, leading to a growth in profit for the year by approximately 18.8% to approximately HK$250.9 million. Earnings per share was HK25.63 cents. The board (the "Board") of directors (the "Directors") of the Company recommended payment of a final dividend of HK6 cents per share.

RETAIL BUSINESS

During FY2018, segment revenue of the Group's retail business surged by 97.8% to approximately HK$315.5 million. Segment profit before taxation increased nearly five times to approximately HK$22.1 million. The good result reflected that the Group's brand portfolio matched the market demand with appropriate sales strategies and excellent performance in operation and execution. Since the record of earnings before tax for the first time by the retail business for the year ended 30 June 2017 ("FY2017"), the retail business has maintained its upward momentum and become a reckoning force as a boost to the Group's business growth.

During the Year under Review, the Group carried and distributed seven brands in mainland China and Hong Kong. During the past seven years since 2011 when the Italian brand TUSCAN'S was introduced into mainland China and Hong Kong market, we have laid a stable business foundation and earned a good reputation in the retail market. In addition to TUSCAN'S, the seven major brands included the self-owned brand Fashion & Joy launched in 2014, United States (the "US") fashion apparel brands Cole Haan and Kenneth Cole, premium Italian leather goods and apparel brand a. testoni* and its young branch i29*, and underwear brand Jockey*.

The seven brands covered men's and women's bags, leather goods, clothing and accessories, which have greatly enriched the Group's product offerings. We owned the exclusive rights for distribution and operation in Hong Kong and mainland China of two major international brands Cole Haan and Kenneth Cole and the exclusive rights for distribution and operation in mainland China of a. testoni*, i29* and Jockey*. The diversified product portfolio and strategic arrangement of operation enabled us to cater for the preference of the middle class and young consumers in mainland China and Hong Kong more precisely.

With accumulated experience, the Group became more incisive in terms of sales channel expansion. Our stores in landmark retail areas in Hong Kong and Shanghai maintained satisfactory operation and recorded substantial revenue during the Year under Review. In addition, the Group continued to enhance its efficiency of operation and optimise store portfolio and location, providing customers with the best shopping experience. In the future, the Group will continue to implement the development strategy of establishing new retail outlets for exclusive brands. Meanwhile, we are actively developing e-commerce with online sales channels of our brands running in full swing, which will facilitate the development of a new retail model with integrated online to offline (O2O) sales.

* mainland China only

CHAIRMAN'S STATEMENT

MANUFACTURING BUSINESS

Regarding the manufacturing business, during the Year under Review, orders steadily picked up and segment revenue increased by 13.1% to approximately HK$1,978.1 million. Such trend demonstrated a clear business arrangement for orders of leather goods manufacturing. The Group stepped up efforts in maintaining high product quality and has built prestige and reputation among customers of high-end European and US brands. With refined craftsmanship of handbags and leather goods, proportion of orders remained stable.

To reduce the reliance of the manufacturing business on a single market, the Group started to adopt the strategy of market diversification as early as two years ago. While strengthening the relationship with existing customers, it eagerly explored new business opportunities with brand customers from Europe, Asia and mainland China. During FY2018, customers from North America accounted for approximately 27.5% (2017: 34.5%), demonstrating that the Group has gradually reduced its reliance on the North American market. On the other hand, we also noticed that some brand customers who transferred their orders to Southeast Asia have returned to mainland China. We will review the requirements of different brand customers and make better arrangement for the manufacturing business. The impact of the trade conflict between the US and the PRC over the recent few months on us is within our control.

In view of the huge potential of travel goods market, the Group has strived to tap into business and leisure travel goods business in recent years and experienced satisfactory growth in such business during the Year under Review. In response to the rising wage level in China, the management team has also reduced costs through research and development in order to maintain a reasonable profit level in the manufacturing business.

CHAIRMAN'S STATEMENT

PROPERTY INVESTMENT BUSINESS

The Group has maintained a stable return for the property investment business. Currently, all available-for-rent floors of Sitoy Tower have been leased out. In addition to leasing purpose, a portion of floors of Sitoy Tower was reserved for use as the headquarters of the Company and product showrooms. On one hand, it generated a stable and long-term rental income to the Group. On the other hand, it facilitated the presentation of our products to customers, which helped propel the Group's retail business with contributions to the Group in different aspects.

PROSPECT

Looking forward, the Group will continue to push forward the general approach of increasing the proportion of retail sales. We will seek reliable distributors in some provinces and cities in China, and offer cooperation opportunities to distributors with sound operation history in certain cities by implementing a distribution system under a pragmatic and solid strategy, so as to increase sales channels and reputation of the brand in China, further fueling the growth of the retail business. The Group will also actively seek ideal locations for opening multi-brand stores to provide consumers with the best shopping experience. Furthermore, we will continue to keep an eye on any suitable brands with a view to enriching our brand portfolio for distribution and licensing.

In the second half of 2018, despite the challenges confronted by the manufacturing business due to impact of uncertainties arising from Sino-US trade war on global economy, the Group rose to the challenges under the leadership of an experienced management team. Over the past two years, the Group was forward-looking in exploring markets outside North America to diversify risks. Meanwhile, the retail business, with years of cultivation, has also entered the stage of growth, becoming a new growth driver for the Group's profit. As one of the world's leading high-end and luxury brands and manufacturers of small leather goods, Sitoy Group is fully confident about facing challenges with the goal of achieving steady growth.

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

Yeung Michael Wah Keung
Chairman

Hong Kong
17 September 2018

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Retail business

The Group's retail business has achieved a major breakthrough and brought a considerable contribution to the Group's attributable profit for the year ended 30 June 2018. Revenue generated from this segment soared by approximately 97.8% year-on-year to approximately HK$315.5 million for FY2018. The profit before tax of the retail segment was approximately HK$22.1 million for FY2018, representing a growth of approximately 493.8% when compared to the previous year. The significant improvement in profit was mainly attributable to the increased contribution to revenue from licensed brands, thanks to the Group's strategies to enrich the retail brand portfolio. Revenue from the wholesale business and improved operating leverage also contributed to the improvement of the financial results.

With a vision to diversify its business and tap growing demand for affordable quality handbags and leather goods in Hong Kong and mainland China, the Group made inroads into retail business in 2011 with the introduction of TUSCAN'S to these two markets and subsequently the launch of Fashion & Joy. In view of the growing demand for fashion goods, the Group took a bold move and started to enrich its brand portfolio by obtaining exclusive rights for distribution and operation of global brands in mainland China and Hong Kong in 2016.

The strategy was proved highly effective as the Group now has a more diversified range of products catering for demands of different customer groups. The Group operated seven brands as at 30 June 2018. TUSCAN'S and Fashion & Joy are self-owned brands of the Group. TUSCAN'S is a brand of high quality handbags originated in Italy, while Fashion & Joy is a self-developed brand focusing on stylish travel luggage and business accessories designed and expertly crafted for bold and young trend-setters. The other five brands, namely Kenneth Cole, Cole Haan, Jockey*, a.testoni* and i29*, are exclusive licensed brands, each with its own history and unique characters targeting different customer groups. The licensed brands not only provided a new stream of revenue for the Group's retail business but also expanded its product range from handbags to male and female footwear and apparel products with diversified product collections.

The Group also made good use of its product design and development resources and strong in-house manufacturing capabilities for the two self-owned brands and the licensed brand Kenneth Cole. For example, a design team dedicated to developing handbags for Kenneth Cole and another team to expanding the footwear offerings for Kenneth Cole were set up. The design team of TUSCAN'S and Fashion & Joy was also expanded in order to develop a more comprehensive product range. The Group is pleased to see that the new product designs are improving and have quickly attracted a large following among China's upwardly mobile consumers. The Group's targeted marketing campaigns have also successfully increased brand awareness and increased store traffic, which contributed to the growth in market demand.

MANAGEMENT DISCUSSION & ANALYSIS

As regards retail mode, the Group opened its first Fashion & Joy integrated flagship store during the Year under Review, which will carry products across different brands catering for the demand from the younger generation. The Group also continued operating standalone stores and concessionary counters at department stores.

On the digital front, the Group continued to strengthen its e-commerce development with most of its brands already available on Tmall. The Group is currently liaising with other well-known e-commerce platforms to expand its online retail business.

The retail business development has continually been funded with the proceeds from the initial public offering (the "IPO").

Manufacturing business

During the year ended 30 June 2018, the Group's purchase orders received from its external customers have increased by approximately 13.1% when compared with the corresponding period last year, which was mainly due to an increase in demand for brand products in the worldwide market and the result of successfully establishing business relationship with certain brands in mainland China and across the globe. The Group has maintained stable return with segment result of profit before tax to segment revenue ratio of approximately 10.1%. The manufacturing business has generated segment revenue from external customers of approximately HK$1,978.1 million with segment result of profit before tax of approximately HK$198.8 million.

Although minimum wage level in mainland China has been on the rise in recent years, China's core competitiveness nowadays lies in a labour force of higher level of craftsmanship, well-developed supply chain and well-equipped logistics facilities, which are crucial to the Group in maintaining consistent quality services and providing quality products to its brand customers, and maintaining smooth and efficient logistics to deliver products to both Chinese and international markets in a timely manner.

Cost optimisation is one of the Group's key strategies to maintain considerable returns. Despite rising labour cost and keener competition, the Group continuously upgrades itself to meet the higher requirements of both existing and new customers, which include sourcing quality raw materials with competitive prices, continuing to optimise and streamline production procedures to boost competitiveness of the Group and satisfying brand customers' demands. The Group has made its best endeavours to tap new opportunities under a challenging business environment.

MANAGEMENT DISCUSSION & ANALYSIS

Property investment business

In the view that the Hong Kong commercial office leasing market remained robust with tight supply and robust demand, the Group expanded to the property investment market in 2016 by acquiring a commercial building located in East Kowloon of Hong Kong located at 164 Wai Yip Street, Kwun Tong with Kwun Tong Inland lot number 316. Prime office locations such as Central, Causeway Bay and nearby areas are occupied by enterprises and companies of the financial industry. Tenants from other industries, therefore, have to seek prime offices in other areas, such as East Kowloon, which are getting popular because of convenient locations, well-connected transportation options, and abundant lifestyle offerings such as shopping centres and entertainment facilities. In addition, the Company's office premise located at 4-5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong ceased for own use and was transferred to investment properties for rental income or capital appreciation purpose in early 2017. The property investment segment is expected to generate stable returns for the Group. The property investment business has generated revenue of approximately HK$12.1 million with segment result of profit before tax of approximately HK$68.8 million during the year ended 30 June 2018 as a result of fair value gain on investment properties of approximately HK$63.0 million.

PRODUCT RESEARCH, DEVELOPMENT AND DESIGN

The in-house Creative Centre and R&D Centre of the Group offer customers one-stop design, research, development and manufacturing solutions, which help the Group 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 value-added services and high level of craftsmanship, the Group will strengthen its competitive edge in the industry, which in turn will attract and retain leading international and mainland Chinese brands of high-end and luxury products as its customers. In the future, the Group shall source quality raw materials at competitive prices, and continue to optimise and streamline production procedures to boost competitiveness of the Group and satisfy brand customers' demands.

MANAGEMENT DISCUSSION & ANALYSIS

THE USE OF PROCEEDS FROM IPO

The Group raised HK$718.2 million from the listing in December 2011. On 30 December 2016, the Board resolved to change the use of approximately HK$170.8 million out of the remaining unutilised IPO proceeds (the "Proposed Change"), since the Company expected that the existing manufacturing capacity would be sufficient for fulfilling the future demand and potential growth, and the Board intended to put more effort in developing the Group's retail business and to fulfill the working capital requirements. The Board considered that the Proposed Change was in the best interest of the Company and its shareholders as a whole. The Proposed Change would allow the Company to deploy its financial resources more effectively. For details of the Proposed Change, please refer to the announcement of the Company dated 30 December 2016. The following table sets forth the status of use of proceeds from IPO:

	Use of IPO proceeds prior to the Proposed Change		The Proposed Change	Use of IPO proceeds subsequent to the Proposed Change	Used up to 30 June 2018	Unused balance up to 30 June 2018	Expected timeline for unused IPO proceeds
	HK$'million approximately	Percentage approximately	HK$'million approximately	HK$'million approximately	HK$'million approximately	HK$'million approximately	year ending
Second phase of Yingde manufacturing facility	251.4	35%	(96.4)	155.0	155.0	–	N/A
Upgrading of machinery and tooling in existing manufacturing facilities	143.6	20%	(74.4)	69.2	68.4	0.8	2019
Expansion of retail business	251.4	35%	150.8	402.2	371.2	31.0	2020
Working capital	71.8	10%	20.0	91.8	91.8	–	N/A
	718.2	100%	–	718.2	686.4	31.8	

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 20.3% to approximately HK$2,305.8 million for FY2018 from approximately HK$1,916.9 million for the year ended 30 June 2017. This rise was primarily due to the increase in demand from brand customers of manufacturing business and excellent performance of the retail business.

MANAGEMENT DISCUSSION & ANALYSIS

Cost of sales

Cost of sales of the Group increased by approximately 19.3% to approximately HK$1,668.6 million for FY2018 from approximately HK$1,398.8 million for FY2017. The increase in cost of sales was in line with revenue growth and as a result of the increase in the sales orders received from the customers.

Gross profit and gross profit margin

Gross profit increased by approximately 23.0% to approximately HK$637.2 million for FY2018 from approximately HK$518.1 million for FY2017. The gross profit margin slightly increased to approximately 27.6% for FY2018 from approximately 27.0% for FY2017.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 46.0% to approximately HK$196.9 million for FY2018 from approximately HK$134.9 million for FY2017. The increase was primarily attributable to the expansion of retail business.

Administrative expenses

Administrative expenses increased by approximately 8.4% to approximately HK$224.5 million for FY2018 from approximately HK$207.1 million for FY2017. The increase was primarily attributable to the hiring of more management staff to support the business expansion.

Income tax expense

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

Hong Kong profits tax as applicable to the Group was 16.5% for the years ended 30 June 2018 and 2017 on the estimated assessable profits arising in or derived from Hong Kong during the relevant year.

The PRC corporate income tax was based on a statutory rate of 25% (2017: 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.

Macau Complementary Income Tax has not been provided for as the Group had no assessable profit arising in Macau during the year ended 30 June 2018 (2017: nil).

The effective tax rate of the Group increased slightly to approximately 11.1% for the year ended 30 June 2018 (30 June 2017: 10.7%).

Profit for the year

Profit for the year increased by approximately HK$39.8 million to approximately HK$250.9 million for FY2018 from approximately HK$211.1 million for FY2017.

Capital expenditure

For the year ended 30 June 2018, capital expenditure of the Group amounted to approximately HK$24.4 million, primarily due to the upgrading of existing manufacturing facilities, as well as the expansion of retail business.

MANAGEMENT DISCUSSION & ANALYSIS

Significant investments

The Group had no significant investments held during the year ended 30 June 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during the year ended 30 June 2018.

Treasury policy

The Group adopts treasury policy that aims to better control its treasury operations and lower borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

Liquidity and financial resources

The liquidity and financial resources position of the Group remains strong as it continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 30 June 2018 amounted to approximately HK$447.6 million (30 June 2017: HK$595.8 million), which are mainly denominated in Hong Kong dollars, Renminbi and US dollars. The Group has sufficient financial resources and a strong cash position to satisfy 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 outstanding bank and other borrowings as at 30 June 2018 and 2017 and hence no gearing ratio was presented.

Foreign exchange risk

The Group has had transactional currency exposures for the year ended 30 June 2018. Such exposures arose from sales or purchases by operating units in currencies other than the units' functional currency. During the year ended 30 June 2018, 85.1% (30 June 2017: 89.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 65.4% (30 June 2017: 61.3%) of the costs were denominated in the units' functional currency.

As at 30 June 2018 and 2017, the Group did not have any outstanding foreign exchange forward contract.

Pledge of assets

As at 30 June 2018, approximately HK$23.7 million of time deposits were pledged as security for banking facilities available to the Group (30 June 2017: HK$22.8 million).

Inventory turnover days

Inventory turnover days decreased to 65 days for FY2018 from 71 days for FY2017. The decrease in inventory turnover days was due to the increase in cost of sales.

Trade receivables turnover days

Trade receivables turnover days increased to 66 days for FY2018 from 55 days FY2017. The increase in turnover days was mainly due to the higher average trade receivables balance. The Group did not experience any significant credit risks due to strict credit control policies.

MANAGEMENT DISCUSSION & ANALYSIS

Trade payables turnover days

Trade payables turnover days slightly increased to 58 days for FY2018 from 55 days for FY2017. Trade payables are non-interest bearing and are generally settled within 90 days.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 30 June 2018, the Group did not have any material off-balance sheet commitments and arrangements and contingent liabilities.

EMPLOYEES

As at 30 June 2018, the Group had about 8,400 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the Company are subject to social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations. The Group also adheres to 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 employees and, in the case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteens, sports grounds, library and internet center for employees. The Group will continue to improve the working environment in the manufacturing facilities and the living qualities for its staff. 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, among other things, recognition of employees' contribution.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Yeung Michael Wah Keung, aged 69, is an executive Director, the Chairman, a member of remuneration committee and the chairman of nomination committee of the Company. He was appointed as a Director on 21 February 2008. He has been with the Group since its establishment in the 1970's and is one of the founders. He is responsible for the Group's overall business development, strategic planning and corporate management.

He has over 47 years of experience in the handbag and leather goods industry, and has focused on manufacturing luxury branded handbags and small leather goods for more than 16 years. He is currently a director of certain subsidiaries of the Group. He is the brother of Mr. Yeung Wo Fai, an executive Director, the chief executive officer and a substantial shareholder of the Company. He is also the father of Mr. Yeung Andrew Kin, an executive Director and deputy general manager of the Group. He is also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

Mr. Yeung Wo Fai, aged 65, is an executive Director and the chief executive officer of the Company. He was appointed as a Director on 21 February 2008 and is also one of the founders. He has been with the Group since 1974. He is responsible for the overall daily operations of the Group's business. He is also responsible for product development, marketing and administration of the Group.

He has over 40 years of experience in the handbag and leather goods industry, and has focused on manufacturing luxury branded handbags and small leather goods for more than 13 years. He is currently a director of certain subsidiaries of the Group. He is the brother of Mr. Yeung Michael Wah Keung, an executive Director, the Chairman and a controlling shareholder of the Company. He is also the uncle of Mr. Yeung Andrew Kin, an executive Director and deputy general manager of the Group. He is also a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Yeung Andrew Kin, aged 44, is an executive Director, head of retail of the Company and deputy general manager of the Group. He is in charge of the retail business of the Group. He joined the Group in September 1999 and was appointed as a Director on 23 May 2011. He is responsible for the overall operations and strategic planning of the retail business of the Group. He is also responsible for the corporate management and business development of the retail business of the Group. He graduated from Simon Fraser University, British Columbia, Canada with a bachelor's degree of science in 1999.

He has over 19 years of experience in handbag and leather goods industry and has focused on strategic planning and business development for more than 12 years. Before he started focusing on the development of the Group's retail business, he had held various positions in the Group in relation to sales and marketing and merchandising. He is currently a director of certain subsidiaries of the Company. He is the son of Mr. Yeung Michael Wah Keung, an executive Director, the Chairman and the controlling shareholder of the Company. He is also the nephew of Mr. Yeung Wo Fai, an executive Director, the chief executive officer and the substantial shareholder of the Company.

DIRECTORS' PROFILE

Mr. Lau Kin Shing, Charles, aged 62, is an executive Director, the chief financial officer of the Group, company secretary (the "Company Secretary") and authorised representative of the Company. He was appointed as a Director on 1 June 2017. He is responsible for the Group's overall financial management and reporting, internal control, risk management, day-to-day financial administration, and for supporting the development of the Group's retail business and corporate governance. He holds a Doctorate degree in Business Administration from the Newcastle University of Australia, Master degree in Information System Management from the National University of Ireland, and a Bachelor degree in Accounting from the Curtin University of Technology, Australia. He is a Chartered Accountant (New Zealand), Certified Internal Auditor (US), and also a member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. He possesses about 30-year executive experiences in corporate control, financial management, risk management and internal control gained from international listed companies. Before joining the Group in 2015, he held key corporate executive position in various conglomerates, including: vice president of China Resources Beer (Holdings) Company Limited (Stock Code: 291, formerly known as China Resources Enterprise, Limited), deputy head of internal audit for Hutchison Whampoa Limited, and chief financial officer and company secretary of Miramar Hotel and Investment Company, Limited (Stock Code: 71).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chi Tat, aged 48, is an independent non-executive Director, the chairman of audit committee and a member of remuneration committee of the Company. He was appointed as an independent non-executive Director on 15 November 2011. He graduated from the University of Hong Kong with a bachelor's degree of business administration and obtained a master's degree in professional accounting with distinction from Hong Kong Polytechnic University.

He possesses extensive experience in auditing, corporate restructuring and corporate finance. He worked at a major international accounting firm for over 10 years and then worked for various Hong Kong listed companies as financial controller and company secretary. He was the president of the International Financial Management Association Hong Kong headquarters. He is a founding member and deputy president of the Hong Kong Independent Non-executive Director Association and the Greater China Development Working Committee member of The Association of Hong Kong Accountants. He is an independent non-executive director of Boer Power Holdings Limited (stock code: 1685) and Guodian Technology & Environment Group Corporation Limited (stock code: 1296), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was an independent non-executive director of KFM Kingdom Holdings Limited (stock code: 3816) from 7 September 2015 to 3 February 2016, Ta Yang Group Holdings Limited (stock code: 1991) from 16 May 2007 to 10 September 2017 and ANTA Sports Products Limited (stock code: 2020) from 26 February 2007 to 1 June 2018, all of which are listed on the Main Board of the Stock Exchange.

He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a Certified Public Accountant practicing in Hong Kong, a senior international finance manager of the International Financial Management Association and the vice president of Hong Kong General Chamber of Wine & Spirits.

DIRECTORS' PROFILE

Mr. Kwan Po Chuen, Vincent, aged 59, is an independent non-executive Director, a member of each of audit committee and nomination committee of the Company. He was appointed as an independent non-executive Director on 15 November 2011. He graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1983, from the University of London with a bachelor's degree in laws in 1987, from the University of Hong Kong with a master's degree in laws in 1992, from the University of London with a master's degree of science in financial management in 1998 and from the University of South Australia with a master's degree in advanced business practice in 2006.

He has more than 30 years of experience in the legal and accounting profession with extensive experience in real estate, corporate finance and compliance matters. From 1983 to 1987, he worked as an accounting officer and later auditor of the Treasury and Audit Departments of the Hong Kong government and from 1988 to 1993, he worked as trainee solicitor and associate of Deacons. From 1993 to 1996, he was an executive director of Chuang's Consortium International Limited (stock code: 367), a company listed on the Main Board of the Stock Exchange. From 1997 to 2012, he was the general manager (legal and secretarial) of Sino Land Company Limited (stock code: 83), a company listed on the Main Board of the Stock Exchange. From 2012 to 2015, he was the consultant of the then Messrs. Gallant Y T Ho & Co (now known as Gallant). He is currently a consultant of Messrs. LCP Lawyers.

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

Mr. Lung Hung Cheuk, aged 71, is an independent non-executive Director, the chairman of remuneration committee, a member of each of audit committee and nomination committee of the Company. He was appointed as an independent non-executive Director on 15 November 2011. He is a retired chief superintendent of the Hong Kong Police Force. He joined the Hong Kong Police Force in 1966 as a probationary inspector at the age of 19. He was promoted to the rank of chief inspector in 1980, superintendent in 1986, senior superintendent in 1993 and chief superintendent in 1997. He had served in various police posts, namely Special Branch, Police Tactical Unit, Police Public Relations Branch and in a number of police divisions at management level. Prior to his retirement in April 2002, he was the commander of Sham Shui Po Police District.

DIRECTORS' PROFILE

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

He is currently an independent non-executive director of Winfull Group Holdings Limited (formerly known as Richfield Group Holdings Limited, stock code: 183), a company listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Ascent International Holdings Limited (formerly known as Chanco International Group Limited, stock code: 264), a company listed on the Main Board of the Stock Exchange, from 21 September 2015 to 23 December 2015. He was an independent non-executive director of HJ Capital (International) Holdings Company Limited (stock code: 982, formerly known as iOne Holdings Limited), a company listed on the Main Board of the Stock Exchange, from 18 September 2009 to 21 July 2014.

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. The Board strives 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.

ADOPTION AND COMPLIANCE OF CORPORATE GOVERNANCE PRACTICES

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the year ended 30 June 2018.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 of all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for the year ended 30 June 2018.

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

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

BOARD OF DIRECTORS

As at 30 June 2018, the Board comprises seven Directors, consisting of four executive Directors and three independent non-executive Directors.

Biographical information of the Directors and the details of the composition of the Board are set out below and in the Corporate Information, Directors' Profile and Directors' Report respectively of this annual report.

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

The Board monitors the development and financial performance and sets strategic directions of the Group's business.

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

CORPORATE GOVERNANCE REPORT

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

– considered and approved the annual results and report of the Group for the year ended 30 June 2017;

– considered and discussed the quarterly results of the Group for three months ended 30 September 2017;

– considered and approved the interim results and report of the Group for the six months ended 31 December 2017; and

– considered and discussed the quarterly results of the Group for nine months ended 31 March 2018.

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

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

During the year, the respective attendances of the Directors at the above Board meetings and the annual general meeting held on 13 November 2017 are set out in the table below:

	Attendance	
Name of Directors	Board Meetings	Annual General Meeting
Executive Directors		
Mr. Yeung Michael Wah Keung	4/4	✓
Mr. Yeung Wo Fai	4/4	✓
Mr. Yeung Andrew Kin	4/4	✓
Mr. Lau Kin Shing, Charles	4/4	✓
Mr. Chan Ka Dig Adam (resigned on 27 July 2017)	N/A	N/A
Independent Non-executive Directors		
Mr. Yeung Chi Tat	4/4	✓
Mr. Kwan Po Chuen, Vincent	4/4	✓
Mr. Lung Hung Cheuk	4/4	✓

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

CORPORATE GOVERNANCE REPORT

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

Except for the family relationship between Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai and Mr. Yeung Andrew Kin as disclosed in Directors' Profile on pages 19 to 22 of this report, there is no financial, business, family or other material or relevant relationship between Board members.

DIRECTORS' TRAINING

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

	Area of Training
Name of Directors	Requirements and procedures regarding listing and spin-off in Hong Kong
Executive Directors	
Mr. Yeung Michael Wah Keung	✓
Mr. Yeung Wo Fai	✓
Mr. Yeung Andrew Kin	✓
Mr. Lau Kin Shing, Charles	✓
Mr. Chan Ka Dig Adam (resigned on 27 July 2017)	*N/A*
Independent Non-executive Directors	
Mr. Yeung Chi Tat	✓
Mr. Kwan Po Chuen, Vincent	✓
Mr. Lung Hung Cheuk	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years commencing on 6 December 2017. Their terms of appointment shall be subject to the rotational retirement provision of the articles of association of the Company.

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management over the financial reporting system and internal control systems of the Group. The audit committee comprises Mr. Yeung Chi Tat (chairman), Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk, all of whom are independent non-executive Directors. The audit committee has reviewed and discussed the annual report of the Group for the year ended 30 June 2018.

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

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

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

– reviewed and commented on the annual results and report of the Group for the year ended 30 June 2017;

– reviewed and commented on the interim results and report of the Group for the six months ended 31 December 2017;

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

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

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

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

NOMINATION COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

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

Members	Attendance
Mr. Yeung Michael Wah Keung *(chairman)*	2/2
Mr. Kwan Po Chuen, Vincent	2/2
Mr. Lung Hung Cheuk	2/2

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

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

– assessed the independence of independent non-executive Directors;

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

– reviewed and made recommendation to the Board on the renewal of service contracts and appointment letters of Directors.

BOARD DIVERSITY POLICY

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

Below is the summary of the Board Diversity Policy:

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

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

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the CG Code.

The remuneration committee, with delegated responsibility, determines the remuneration package of individual executive Director and senior management of the Group and makes recommendations on the remuneration of non-executive Directors. The Board retains its power to determine the remuneration of non-executive Directors (including independent non-executive Directors).

CORPORATE GOVERNANCE REPORT

The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. A member of the remuneration committee shall abstain from voting in respect of a resolution regarding the remuneration payable to him. The remuneration committee comprises the independent non-executive Directors, Mr. Lung Hung Cheuk (chairman) and Mr. Yeung Chi Tat, and the executive Director, Mr. Yeung Michael Wah Keung.

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

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

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

– reviewed and approved the remuneration package of the newly appointed deputy general manager of the Group;

– reviewed and approved the housing allowance to certain executive Directors;

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

– reviewed and approved the remuneration package to reappointed Director.

REMUNERATION POLICY

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

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

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

During the year, the Board reviewed the Company's policy and practices on compliance with legal and regulatory requirements, the compliance with the CG Code for the year ended 30 June 2018 and disclosure of this corporate governance report, as well as the code of conduct and compliance manual (if any) applicable to employees and Directors.

On 17 September 2018, the Board reviewed the Company's compliance with the CG Code for the year and disclosure in this Corporate Governance Report.

AUDITOR'S REMUNERATION

The remunerations in respect of audit and non-audit services for the year ended 30 June 2018 provided by the Company's auditors, Ernst & Young, are as follows:

	HK$'000
Audit services	2,200
Non-audit services	–

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Year under Review, the Directors have:

– based on a going concern basis;

– selected suitable accounting policies and applied them consistently; and

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

The report of the auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report from pages 57 to 61 of this report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. The Board is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify attribution of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication with the Board and on-going monitor the residual risks.

Based on the risk assessments conducted during the year, no significant risk was identified.

Internal Control System

The Group has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and independent evaluations to ascertain whether each component of internal control is present and functioning normally.

CORPORATE GOVERNANCE REPORT

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted during the year, no significant control deficiency was identified.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness and ensuring review of the effectiveness of these systems has been conducted semi-annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

During the year ended 30 June 2018, the Board has conducted semi-annual reviews of the effectiveness of the risk management and internal control systems of the Group. The Board, through its reviews and the reviews made by the audit committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Internal Audit Function

The Company does not have an internal audit department. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

COMMUNICATION WITH SHAREHOLDERS

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Lau Kin Shing, Charles ("Mr. Lau") was appointed as the Company Secretary of the Company. According to Rule 3.29 of the Listing Rules, Mr. Lau took no less than 15 hours of relevant professional training for the year ended 30 June 2018.

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the articles of association of the Company, (i) two or more shareholders who hold in aggregate not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company or (ii) any one shareholder which is a recognised clearing house (or its nominee(s)) and holds not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company, may deposit a written request (the "Written Requisition") at the head office and principal place of business in Hong Kong of the Company (at 9th Floor, Sitoy Tower, 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong) for attention of the Company Secretary to request the Board to convene an extraordinary general meeting of the Company. The Written Requisition should state the full name of the requisitionist(s), the matter(s) and the proposed resolution(s) to be considered at the general meeting of the Company, and must be signed by all the requisitionist(s).

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

By post to the head office and principal place of business in Hong Kong at 9th Floor, Sitoy Tower, 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.
Fax: (852) 2343 2808

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

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

Union Registrars Limited
Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Tel: (852) 2849 3399
Fax: (852) 2849 3319

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT ESG REPORT

The Environmental, Social and Governance Report (the "ESG Report") elaborates on the various work of Sitoy Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") to fully implement the concept of sustainable development and perform its corporate social responsibilities, and its performance of social governance from 1 July 2017 to 30 June 2018 (the "Year"). For the information on corporate governance, please refer to the "Corporate Governance Report" in this Annual Report.

Scope of the Report

The ESG Report focuses on the environmental and social performance of the core business of the Group in mainland China and Hong Kong during the Year. The key performance indicators displayed in the appendix of the ESG Report are based on the data collected from Dongguan Shidai Leather Products Factory Co., Ltd. ("Dongguan Shidai"), a subsidiary of the Group located in Dongguan, Guangdong Province.

Reporting Framework

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Stakeholder Engagement

The preparation of the ESG Report, which was supported by employees across various departments of the Group, enables the Group to have a better understanding of its current environmental and social development. The information gathered for ESG Report not only serves as a summary of the environmental and social initiatives carried out by the Group during the Year, but also forms the basis for the Group to map out short-term and long-term strategies for sustainable development.

Information and Feedbacks

For detailed information about the environmental and corporate governance, please refer to the official website (www.sitoy.com) and the Annual Report. Your opinions are highly valued by the Group. If you have any advice, please contact the Group at: sitoy@sitoy.com.

ENVIRONMENTAL PROTECTION

Emission Management

The Group is principally engaged in the design, research, development, manufacturing, sale, retailing and wholesales of handbags, small leather goods, travel goods, footwear products, provision of advertising and marketing services and property investment. The Group is committed to conducting its business in an environmentally sustainable manner and has obtained the ISO 14001 Environmental Management System certification.

The Group's manufacturing process does not involve wastewater discharge or air pollutant emission. Scraps produced from cutting and trimming of leather, fabric and other raw materials or components account for the majority of the emission, the majority of which belong to non-hazardous solid waste. The waste materials are segregated, reused and recycled where practicable with the last remaining scraps handled in compliance with the Measures of the People's Republic of China (the "PRC") Customs on Processing Trade Scaps, Remaining Materials, Defective Products, By-Products and Damaged Bonded Goods as well as the relevant regulations of local government. The Group has formulated an environmental management policy covering the optimization of manufacturing procedures and the training of employees to minimize the production of waste. On grounds of the policy, employees making useful suggestions on material conservation are rewarded.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The emission of the Group's retail stores, office premises and living quarters mainly includes domestic sewage and solid waste. In terms of sewage discharge, the Group abides by all the requirements on discharge permission and limits issued by local authorities. Hazardous waste, such as obsolete computers, used batteries and waste cartridges, is delivered to qualified recycling companies. Non-hazardous waste is transferred by the municipal sanitation department for further disposal while printed paper without confidential information is sent to waste paper recycling companies.

Sustainable Operation

Apart from emission management, the Group has also recognized the importance of sustainability in its daily operation and thereby implemented various measures to promote energy conservation and reduce the consumption of resources, including

– Utilizing light-emitting diode (LED) lights instead of traditional lights and dividing the indoor areas into different light areas with independent switches;

– Reminding employees to switch off lights and electric devices when leaving workplaces;

– Maintaining air-conditioning system regularly to improve its work efficiencies and setting the temperature at or above 25.5 degree Celsius;

– Encouraging employees to reuse paper and print on both sides;

– Carrying out regular statistics of paper consumption to make improvement of its reduction;

– Posting water saving labels in toilets;

– Collecting rainwater and reusing it for greening and fish ponds;

– Reusing stationeries and sorting solid waste into metals, plastics and paper for recycling;

– Maintaining vehicles regularly to reduce fuel consumption and air pollutant emission;

– Advocating green commuting among employees;

– Replacing unnecessary business trips with video conferences;

– Minimizing product packaging across the manufacturing lines; and

– Optimizing transportation route.

During the Year, the Group continued to strictly comply with the Environmental Protection Law of the PRC, the Law of the PRC on Prevention and Control of Pollution from Environmental Noise, the Waste Disposal Ordinance of Hong Kong, and other laws and regulations on environmental protection and pollution control in the areas where it operates. Non-compliance with applicable provisions was not observed during its operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES

Employment Policies

With employees' welfare and development being the dominant concern, the Group is committed to providing employees with a fair and open working environment as well as strengthening their sense of belonging. The Group not only formulates its employment policies in accordance with all the laws and regulations regarding employment and labour practice, such as the Labour Law of the PRC, the Employment Ordinance of Hong Kong and the Labour Relations Act of Macau, but also adheres to employment standards requested by its Original Equipment Manufacturer's customers.

In terms of employee recruitment, the Group gives priority to filling vacancies with internal employees so as to support employees' career development. In line with the principles of fairness and consistency, employee recruitment is based on a comprehensive assessment of the applicants' ability and experience as well as job requirements. To prevent the use of child labour, applicants' identification documents are carefully checked to ensure they are legally employable. The Group embraces diverse workforce and prohibits any form of discrimination. Employees, regardless of their race, gender, age, marital status or religion, have equal access to the opportunities within the Group. For departing employees, an exit interview is conducted by the human resource personnel to understand the reason of leaving and make improvement to minimize future employee turnover.

In order to retain top talents in the industry, the Group provides competitive remuneration for employees and offers rewards and incentive payments to the best performers. An employee's remuneration package is determined on grounds of his or her qualification, position and seniority and is reviewed on an annual basis. Performance evaluation is conducted regularly, the results of which are used as the basis for assessing the training demands and developing other human resources policies such as promotion, position transfer and remuneration determination. The Group usually fosters the growth of its management team internally through promotion programs. For example, employees with outstanding performance from the manufacturing lines have a chance to be promoted to the research and development (R&D) center.

The working hour varies with an employee's job nature and location, which is explicitly stated in the labour contract. The Group has implemented an attendance management system for employees in all the workplaces, which, on the other hand, rigorously prohibits the use of forced labour. Employees are entitled to public holidays and other holidays as prescribed in applicable laws, such as sick leave, maternity leave, marriage leave, paternity leave and compassionate leave.

In accordance with the Social Insurance Law of the PRC, the Mandatory Provident Fund ("MPF") Schemes Ordinance of Hong Kong, the Macau Social Security System and the other relevant laws and regulations, the Group pays social insurance and housing provident fund for employees in mainland China, MPF Schemes, medical insurance and labour insurance for employees in Hong Kong and mandatory social security funds and contributions for employees in Macau. Various amenities, medical facilities and recreation facilities such as canteen, clinic, sports site, library and internet center are opened up and activities like singing competition and variety show are organized from time to time to help employees balance work and life. Meanwhile, additional benefits are accessible to employees, which include employee dormitory, shopping discount in the Group's retail stores, long service award, share option scheme, and so on.

During the Year, the Group continued to comply with all the applicable labour laws and regulations in the areas where it operates and did not face any disciplinary action with respect to the labour protection issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

The Group has established an employee training center to provide pre-job training programs to its new recruits before the commencement of work on the manufacturing lines. From time to time, different levels of on-the-job training are also provided for employees to broaden their skills and enhance their productivity. For example,

– Orientation on the knowledge of occupational health and safety, fire fighting, use of chemicals, business ethics and other aspects is provided for new recruits;

– Training on safety awareness of supply chain is provided for the management of different departments;

– Training on information safety management and disposal is provided for employees using computers and working in the office premises;

– Trainings on custom and shipping and the latest relevant laws, regulations and policies are provided for employees of custom department, finance department, and human resources department;

– Security work training is provided for security guard;

– Training on oblique opening of cutting bed is provided for leaders of oblique opening in workshops;

– Gluing process training is provided for gluing employees in workshops;

– Training on introduction of manufacturing requirements and the origin of customer's brand is provided for workshop leaders and management; and

– Warehouse management training is provided for employees in warehouse.

For employees working in office and retail stores, internal training courses are also provided to improve their work performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Occupational Health and Safety

The Group pays high attention to employees' health and safety. The Group not only adheres to the provisions of the Law of the PRC on the Prevention and Control of Occupational Diseases, the Occupational Safety and Health Ordinance of Hong Kong and other relevant laws and regulations, but also complies with all the guidelines relating to occupational health and safety that are imposed by customers.

Upon recruitment, the Group notifies new recruits of the basic information such as job contents, occupational hazards and safety production status in verbal or written form. Employees are required to attend entrance training and pass examination before taking the post. In order to minimize work-related risks and injuries, the Group has formulated safety guidelines and operating manuals for all the manufacturing processes and posted them on the walls or tables of employees' working areas. The Group also provides employees with training programs on work safety and conducts regular inspections and maintenance checks on equipment in accordance with the applicable national or industrial standards.

During the Year, the Group carried out drills with all employees attended. The potential EHS risks discovered during the 324 safety inspections and 128 specific inspections were handled immediately for further enhancement of the Group's safety management levels as well as the guarantee of employees' safety.

OPERATION MANAGEMENT

Supply Chain Management

The raw materials used to produce handbags, small leather goods and travel goods primarily consist of leather, fabric, straw, polyurethane, polyvinyl chloride and so on. Besides, there are also auxiliary materials used during the manufacturing process, such as thread, lining, reinforcement material, edge paint and various packaging materials.

The Group's procurement processes are subject to various customer-imposed safety, health environmental and human rights guidelines to reduce the environmental and social risks involved in its manufacturing operations. Many of the raw material suppliers are designated and have been acknowledged by the Group's customers in terms of their performance in environmental management and social governance. When receiving an order in which the suppliers are designated by the customer, the Group strictly adheres to the requirements set forth in the order to purchase raw materials with specific quantity, type and quality. When suppliers are not designated, the Group's procurement team selects suppliers based on its own criteria, including quality, price, experience, service and payment terms. In order to maintain an efficient and stable supply chain, the procurement team also visits both designated and non-designated suppliers regularly to ensure that the raw materials are of high quality and can be delivered on a timely basis.

The Group continued to perform strict inspections of the quality of raw materials at a laboratory near its raw material warehouse to ensure the quality of raw materials meets the required standards. Raw materials that fail the Group's tests would be returned to the relevant suppliers. If the supplier fails to comply with the Group's requirements repeatedly, it would be removed from the list of certified suppliers and the procurement would be terminated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quality Control

Product quality and safety is the foundation of the Group's product commitment and has been embedded in its manufacturing process. The Group has obtained the ISO 9001 Quality Management System certification. Through its long-term cooperation with international brands, the Group has accumulated in-depth expertise and know-how with respect to every key step of the manufacturing process of its products, especially the high-end and luxury handbags and small leather goods.

The Group has employed Electronic Tracking System ("ETS") and Enterprise Resources Planning ("ERP") system to evaluate manufacturing performance, identify manufacturing bottlenecks, improve operating efficiency and further strengthen manufacturing capabilities. By virtue of the systems, it is effortless to manage manufacturing process on a real-time basis and track the status of raw materials and finished products as well as evaluate employees' work efficiencies. After inspection, each batch of leather and fabric, known as the main raw materials, is assigned a barcode by ERP system and taken to warehouses equipped with air-conditioning system, humidity control and specially-made racks for storage before delivered to manufacturing lines. During the Year, the Group upgraded the model of post bed machines and introduced a full-automatic double-headed punching machine to enhance its productivity and reduce production cost.

On the manufacturing lines, employees are well trained and have acquired the necessary experience and skills. In the manufacturing process, each employee is assigned one specific step. To increase work efficiency, a daily target number of components to be finished by each employee is indicated by ETS in each workshop and a team leader is responsible for supervising and monitoring the quality of a particular step on each production line.

To ensure the quality of finished products meets relevant requirements as well as identify defective products at an early stage, the Group performs various quality inspections and testing procedures, including random sample testing at different stages in the manufacturing process. Meanwhile, on-site quality control personnel are also arranged by customers to inspect the quality of finished products. In case nonconformity products are reported by customers, the Group will recall them based on the procedures requested by customers and carry out corresponding measures of redress to minimize the impacts and customers' loss.

The Group has also established a chemical custody team to carry out various quality management measures, such as engaging third parties to carry out chemical testing of finished products for compliance with United States ("US"), European and international product safety standards required by customers and the laws and regulations on restricted and hazardous materials in the areas where the products are imported and sold.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Service

The Group sells handbags, small leather goods, travel goods and footwear products of brands TUSCAN'S, Fashion & Joy, Kenneth Cole and Cole Haan through its retail stores in Hong Kong, mainland China and Macau and a. testoni, i29 and Jockey in mainland China. Committed to providing customers with high-quality products and service, the Group not only executes strict quality control initiatives in manufacturing process, but also engages professional organizations like National Leather Products Quality Supervision and Examination Center to conduct quality examination of each new product so as to guarantee that only qualified products are launched in its retail stores.

The Group has formulated a guideline to regularize the behaviors of employees in retail stores. Employees shall serve customers with enthusiasm and sincerity, have a good command of product knowledge and promote sales based on customers' demands. Upon receiving customers' complaints, response and follow-up measures shall be taken in a polite and timely manner. The Group normally offers a warranty period for all the products in retail stores. In case a product is found defective, employees shall confirm customer's maintenance requirements and fill out the maintenance slip carefully. The Group also focuses on improving its service level and perfecting product development by collecting and preserving customers' opinions and suggestions.

Advertisement and Promotion

The Group promotes the products of its retail stores through online activities and offline activities. Online activities mainly involve interaction on social media (such as WeChat and Weibo) and promotion on official website and other online media. Offline activities include road shows, fashion shows, opening activities of new stores, in-store display and promotion, advertisement on magazines and so on. It is the Group's commitment that all the advertising and promotional activities are carried out in conformity with the laws and regulations on advertisement and promotion in the areas where it operates. And the product information published has been strictly reviewed and does not contain any false advertising that harm consumers' rights and interests.

Privacy and Intellectual Property Protection

The Group attaches great importance to protection of privacy. All the new recruits are requested to sign a confidentiality agreement. According to the confidentiality provisions and non-competition restrictions formulated by the Group, employees are not only prohibited from divulging any technical information (such as the manufacturing methods, experiment data, drawings, and operation manuals), business information (such as customer list, marketing plans, procurement documents, and cooperation agreements) and customers' information, but also required to keep and use documents in strict compliance with the Group's regulations.

Apart from manufacturing customers' products, the Group has already developed its own brand. The Group has established internal policies to eliminate the risk of infringing customers' and third parties' intellectual property in its design, research, development and manufacturing processes as well as to protect its own rights. Employees working on customers' products are not allowed to participate in manufacturing the Group's own products. The Group's design and development team shall ensure their designs are not identical and do not bear a close resemblance to the products of any other customer or those in public market. In addition, measures like using password-protected computers to store products' information, encrypting files in the process of transmission and prohibiting employees from taking out product prototypes and samples without authority have also been adopted to facilitate the management and protection of intellectual property.

During the Year, non-compliance with the laws and regulations on privacy and intellectual property did not occur within the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

It is the Group's long held belief that honesty and integrity are among the most important moral conducts. The Group has been adhering to all the laws and regulations on anti-corruption, such as the Criminal Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong, and strictly forbids any form of bribery and corruption during its operation.

Employees are obliged to avoid conflict of interests while dealing with suppliers, customers and other third parties in cooperation with the Group. Employees holding important positions are required to sign the anti-commercial bribery commitment with the Group. The Group encourages employees to disclose illegal behaviors and keeps the whistleblower's privacy strictly confidential. With regard to the procurement process, the Group has set up an internal monitoring group to assess suppliers' performance on a monthly basis for the identification and prevention of any illegal activities.

During the Year, there was no violation of relevant laws and regulations within the Group.

COMMUNITY INVESTMENT

While focusing on its business operation, the Group also continued to fulfill its social responsibilities by making contribution to the community. The total amount donated by the Group during the Year was approximately HK$200,000.

In Guangdong, the Group spared no efforts in participating in public welfare activities like poverty alleviation activity in Guangdong Province and helping those in need. The Group's subsidiary in Yingde received the title of "Caring Company" from Yingde Red Cross and the title of "Model on the Day of Poverty Alleviation Activity in Guangdong" from local government in recognition of its contribution to local community.

In Hong Kong, the Group also actively contributed to the charity and public welfare undertakings through organizing 50 employees to participate in the "2017/2018 Hong Kong & Kowloon Walk" organized by The Community Chest on 14 January 2018. Funds donated to this event will be used to improve and develop the "Family and Child Welfare Services" in helping families in need and encouraging members to love each other, maintain and strengthen family relationships.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX: SUMMARY OF KEY PERFORMANCE INDICATORS

Indicators	Year ended 30 June 2018
Environmental Aspects	
Air Pollutants Emissions	
Total Emission of Nitrogen Oxides (NO_x) (kg)	21
Total Emission of Sulphur Oxides (SO_x) (kg)	1
Total Emission of Particulate Matter (PM)(kg)	2
Greenhouse Gases (GHG) Emissions	
Total Emission (Scope 1, 2 &3) (t CO_2e)	5,356
Emission Intensity (kg CO_2e/m^2 of floor area)	105.00
Scope 1 Total Direct GHG Emissions (t CO_2e)	1,060
Scope 2 Total Indirect GHG Emissions (t CO_2e)	4,132
Scope 2 Total Indirect GHG Emissions (t CO_2e)	164
Solid Wastes	
Non-hazardous Wastes	
Total Production (t)	3
Intensity (kg/m^2 of floor area)	0.06
Hazardous Wastes (Note 1)	
Total Production (t)	Not Applicable
Intensity (kg/m^2 of floor area)	Not Applicable
Use of Resources	
Energy	
Total Consumption (MWh)	10,696
Consumption intensity (kWh/m^2 of floor area)	209.71
Total Direct Energy Consumption (MWh)	2,857
Total Indirect Energy Consumption (MWh)	7,839
Water	
Total Consumption (m^3)	244,331
Consumption Intensity (m^3/m^2 of floor area)	4.79
Packaging Materials (Note 2)	
Total Consumption of Paper Products (piece)	7,815,127
Consumption intensity (piece/product)	1.03
Total Consumption of Plastic Products (piece)	32,760,841
Consumption intensity (piece/product)	4.33

Notes:

1 The hazardous wastes produced by the Group include obsolete computers, used batteries and waste cartridges. Disclosure of the data is not applicable since Dongguan Shidai did not produce these wastes during the Year.

2 During the Year, the Group was unable to accurately calculate the total weights of packaging materials and will consider tracking and measuring the corresponding weights in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators	Year ended 30 June 2018
Social Aspects	
Employment	
Total number of employees	5,012
Male	2,524
Female	2,488
By age group	
Below 30	1,592
30 ~ 50	3,184
Above 50	236
By type of employment	
Part-time	0
Full-time	5,012
Development and Training (Note 3)	
Percentage of employees trained	100%
Senior management	100%
Middle management	100%
Entry-level management	100%
Frontline employees	100%
Average training hours completed	3
Senior management	3
Middle management	3
Entry-level management	3
Frontline employees	3

Note:

3 The percentage of employees trained and the average training hours completed are calculated by new recruits only.

DIRECTORS' REPORT

The Board of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are design, research, development, manufacturing, sales, retailing and wholesales of handbags, small leather goods, travel goods and footwear products, provision of advertising and marketing services and property investment. Particulars of the principal activities of the Company's subsidiaries are set out in note 4 to the consolidated financial statements of the Group for the year ended 30 June 2018.

RESULTS AND PROPOSED FINAL DIVIDEND

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss on page 62.

An interim dividend of HK6 cents per share was paid on 20 April 2018. The Directors recommended the payment of a final dividend of HK6 cents per share for the year ended 30 June 2018 (30 June 2017: HK6 cents per share) to the shareholders whose names appear on the register of members of the Company on Wednesday, 21 November 2018. The final dividend, subject to approval by the shareholders at the annual general meeting to be held on Monday, 12 November 2018 (the "2018 AGM"), will be paid on or before Friday, 14 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 20 November 2018 and Wednesday, 21 November 2018, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited (the "Hong Kong Branch Share Registrar"), at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Monday, 19 November 2018.

The register of members of the Company will be closed from Monday, 5 November 2018 to Monday, 12 November 2018 (both days inclusive), during which period no share transfer will be registered. The record date for determining shareholders of the Company entitled to attend the 2018 AGM will be Monday, 12 November 2018. In order to be eligible to attend and vote at the 2018 AGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong Branch Share Registrar at the address stated above, for registration not later than 4:00 p.m. on Friday, 2 November 2018.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 130 of the annual report. This summary does not form part of the audited consolidated financial statements.

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

Details of the share capital of the Company for the year ended 30 June 2018 are set out in note 25 to the consolidated financial statements.

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 30 June 2018.

DIRECTORS' REPORT

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the year and distributable reserves of the Company as at 30 June 2018 are set out on page 65 in the consolidated statement of changes in equity and note 27 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LAND LEASE PAYMENTS

Details of movements during the year in property, plant and equipment, investment properties and prepaid land lease payments of the Group are set out in notes 13, 14 and 15 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers to the total revenue of the Group was 47.8% for the year ended 30 June 2018. The percentage of revenue attributable to the Group's largest customer to the total revenue of the Group was 17.1% for the year ended 30 June 2018.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases of the Group was 16.0% for the year ended 30 June 2018. The percentage of purchases attributable to the Group's largest supplier to the total purchases of the Group was 5.1% for the year ended 30 June 2018.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries, which are not contracts of service with any Director or any person engaged in the full-time employment of the Company, were entered into or existed during the year.

DIRECTORS

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

Executive Directors:

Mr. Yeung Michael Wah Keung *(Chairman)*
Mr. Yeung Wo Fai *(Chief Executive Officer)*
Mr. Yeung Andrew Kin *(Deputy General Manager)*
Mr. Lau Kin Shing, Charles *(Chief Financial Officer)*
Mr. Chan Ka Dig Adam (resigned on 27 July 2017)*

Independent Non-executive Directors:

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

* Mr. Chan Ka Dig Adam resigned as executive Director due to other business commitment.

DIRECTORS' REPORT

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, 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 SFO, which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions

Name of Director	Capacity/ Nature of interest	Number of ordinary shares of the Company interested	Number of underlying shares of the Company interested pursuant to share options	Approximate 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. Yeung Andrew Kin	Beneficial owner/ personal interest	10,500,000	–	1.05%
Mr. Lau Kin Shing, Charles	Beneficial owner/ personal interest	50,000	1,544,000	0.16%

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

DIRECTORS' REPORT

(b) Rights to acquire shares of the Company

Save as disclosed in the section headed "Share Option Scheme" below, at no time during the year, 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 year was the Company, its subsidiaries or holding companies or fellow subsidiaries 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 30 June 2018, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, 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' INTERESTS IN COMPETING BUSINESS

As at 30 June 2018, none of the Directors had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclose in this report, no Director or his connected entity has or had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party subsisting during or at the end of the year ended 30 June 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Laws of the Cayman Islands) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Director of the Company since the date of the last interim report is set out below:

From 1 April 2018 onwards, the monthly salaries of the executive Directors, Mr. Yeung Andrew Kin and Mr. Lau Kin Shing, Charles, have been adjusted from HK$115,880 and HK$203,000 respectively to HK$127,470 and HK$207,000 respectively. The salary adjustment has been approved by the remuneration committee.

Mr. Yeung Chi Tat resigned as the independent non-executive director of ANTA Sports Products Limited, a company whose shares are listed on the Main Board of the Stock Exchange with effect from 1 June 2018.

DIRECTORS' REPORT

SHARE OPTION SCHEME

A share option scheme was approved and adopted on 15 November 2011 (the "Share Option Scheme") to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants of the scheme.

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

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

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

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 94,932,000 (representing approximately 9.48% of the existing issued shares of the Company) and a total of 4,500,000 shares (representing approximately 0.45% of the existing issued shares of the Company) may be issued upon exercise of all options that have been granted but not yet lapsed or exercised under the Share Option Scheme.

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

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

DIRECTORS' REPORT

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

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

During the year ended 30 June 2018, no share options were conditionally or unconditionally (as the case may be) granted and share options granted to subscribe for a total of 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 4,500,000 ordinary shares of HK$0.10 each of the Company were outstanding as at 30 June 2018.

As at 30 June 2018, 3,006,000 share options have been vested and 3,006,000 shares are 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 year ended 30 June 2018 are as follows:

				Number of Share Options					
Grantees	Date of Grant	Exercise Price	Exercise Period	Balance as at 1 July 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 30 June 2018
Directors:									
Mr. Lau Kin Shing, Charles	21 September 2015	HK$3.84	21 September 2016 to 20 September 2025 (ii)	1,544,000	–	–	–	–	1,544,000
Mr. Chan Ka Dig Adam (resigned on 27 July 2017)	21 September 2015	HK$3.84	21 September 2016 to 20 September 2025 (ii)	1,799,000	–	–	–	(1,799,000)	–
Sub–total:				3,343,000	–	–	–	(1,799,000)	1,544,000
Eligible employees (i)	21 September 2015	HK$3.84	21 September 2016 to 20 September 2025 (ii)	2,956,000	–	–	–	–	2,956,000
Grand Total:				6,299,000	–	–		(1,799,000)	4,500,000

DIRECTORS' REPORT

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 of the Share Option Scheme with share options not exceeding the respective individual limits.

(ii) 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

Except as disclosed above, no share option lapsed or was granted, exercised or cancelled under the Share Option Scheme during the year ended 30 June 2018.

EQUITY-LINKED AGREEMENTS

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS

The related party transactions of the Company for the year ended 30 June 2018 are set out in note 32 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

Non-exempt Continuing Connected Transactions

During the year ended 30 June 2018, the Group has entered into the following transactions, which constituted non-exempt continuing connected transactions for the Company subject to announcement, annual review and reporting requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company shall comply with the annual review and reporting requirements for all of the following non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

Leasing of Properties

Pursuant to Chapter 14A of the Listing Rules, details of the non-exempt continuing connected transactions for the year ended 30 June 2018 required to be disclosed in the annual report are as follows:

On 1 April 2016, Sitoy (Hong Kong) Handbag Factory Limited ("Sitoy HK"), an indirectly wholly-owned subsidiary of the Company, entered into a tenancy agreement with each of Maxon Properties Limited ("Maxon") and Golden Palace Corporation Limited ("Golden Palace"), each for a term commencing from 1 April 2016 to 30 June 2018 (both days inclusive).

As (i) Maxon is directly wholly-owned by Mr. Yeung Michael Wah Keung, a controlling shareholder, the chairman and an executive Director of the Company, and (ii) Golden Palace is directly wholly-owned by Mr. Yeung Wo Fai, a substantial shareholder, the chief executive officer and an executive Director of the Company, each of Maxon and Golden Palace, being an associate of Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai respectively, is therefore a connected person of the Company. Accordingly, the transactions contemplated under the following tenancy agreements constitute non-exempt continuing connected transactions of the Company:

	Parties	Lease premises	Rent
Tenancy agreement A	Sitoy HK and Maxon	a residential unit situated at Kadoorie Avenue, Kowloon, Hong Kong	HK$200,000, payable in cash by Sitoy HK on monthly basis
Tenancy agreement B	Sitoy HK and Golden Palace	a residential unit situated at Celestial Heights Phase 2, 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong	HK$200,000, payable in cash by Sitoy HK on monthly basis

Nature of the transactions

Leasing of premises in Hong Kong from Maxon and Golden Palace to Sitoy HK as executive quarters of the Group.

The annual cap for the year ended 30 June 2018 in respect of the aggregate rent payable by Sitoy HK to Maxon and Golden Palace is HK$4,800,000.

Since the tenancy agreements signed on 1 April 2016 expired on 30 June 2018, the Board proposed to renew the tenancy agreements. On 1 June 2018, Sitoy HK entered into a new tenancy agreement with each of Maxon and Golden Palace, each for a term commencing from 1 July 2018 to 30 June 2021 (both days inclusive) with the terms and annual caps remain unchanged.

Details of the above non-exempt continuing connected transactions were disclosed in the announcements of the Company dated 1 April 2016 and 1 June 2018 respectively.

DIRECTORS' REPORT

Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that the transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Confirmation from Auditors of the Company

The Board of Directors has received an unqualified letter issued by Ernst & Young, the auditors of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 and Practice Note 740 issued by the Hong Kong Institute of Certified Public Accountants confirming that:

a. nothing has come to their attention that causes them to believe that the above non-exempt continuing connected transactions have not been approved by the Board;

b. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

c. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps set by the Company.

A copy of the letter has been provided by the Company to the Stock Exchange.

In relation to the related party transactions which also constituted connected transactions or continuing connected transactions of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, the details of which required to be disclosed in the annual report have been set out above.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 35 to the consolidated financial statements.

CORPORATE GOVERNANCE

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

BUSINESS REVIEW

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 30 June 2018 and the material factors underlying its results and financial position can be found in the Chairman's Statement on pages 9 to 11 and the Management Discussion and Analysis on pages 12 to 18 of this annual report. An analysis using financial key performance indicators can be found in the Financial Highlights on pages 7 to 8 of this annual report. These discussions and financial highlights form part of this Directors' Report.

DIRECTORS' REPORT

ENVIRONMENTAL POLICY

The Group is committed to achieve the development of sustainability of communities. An environmental policy has been adopted by the Group for implementation of environmentally friendly measures and practices in the operation of the Group's businesses. The Group adheres to the principle of Recycling and Reducing and implements green office practices, e.g. using recycled paper, setting up recycling bins, and double-sided printing and copying.

The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's businesses. A discussion and analysis of the Group's environmental policy can be found in the Environmental, Social and Governance Report on pages 34 to 43 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company complies with the requirements under the Companies Law of the Cayman Islands, the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance.

The PRC subsidiaries are governed by the laws and regulations relating to taxation, foreign exchange, product quality, trademarks, environmental protection, labor and social insurance. Any non-compliance will impose fines or other serious penalty actions against the PRC subsidiaries. We have implemented various measures to ensure compliance with such laws and regulations, including but not limited to consulting our PRC legal adviser and tax professional.

During the year ended 30 June 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's activities involve retail business, manufacturing business as well as property investment business. The principal types of risk faced by each business are listed below.

For the retail business, the risks and uncertainties include:

- Falling consumer spending leading to excess inventory in the retail channels and the need for aggressive discounting activity, and/or inventory obsolescence and discounting due to rapid changes in fashion trends.
- Changes in government policy that reduce customers' desire to buy fashion products.
- The Group faces risks associated with the reliance on/potential loss of key management personnel.
- Impact on sales, costs, profit and cash:
  - Economic conditions in China
  - Change in market trends
  - Cost of wages and salaries, rents, services and utilities
  - Competitor activity
- The Group with substantial operations and interests in the PRC is subject to the risk of adverse movements in foreign currency exchange rates as the HK$ is used as the reporting currency.
- Failure or unavailability of operational and/or IT infrastructure.

DIRECTORS' REPORT

For the manufacturing business, the risks and uncertainties include:

- The Group faces risks and challenges associated with managing different production line staff.
- The Group faces risks associated with the reliance on/potential loss of key management personnel.
- Changes in government policy that may create adversity for the manufacturing industry.
- Fluctuations in commodities and other production inputs could impact the profitability of the Group.
- Impact on sales, costs, profit and cash:
  - Economic conditions
  - Rising cost of wages and salaries, rents, services and utilities
  - Change in market trends
  - Competitor activity
- Failure or unavailability of operational and/or IT infrastructure.

For property investment business, the risks and uncertainties include:

- The Group faces risks and challenges associated with locating potential tenants with acceptable price and other terms.
- Changes in government policy that may create adversity for the real estate market.
- The Group faces risks associated with the reliance on/potential loss of key management personnel.
- Impact on sales, costs, profit and cash:
  - Global market fluctuation and economic conditions in Hong Kong
  - Macroeconomic environment of Hong Kong
  - Interest rate of Hong Kong
  - Real estate market in Hong Kong
  - Cost of agency fee
- The Group faces the risk of declining fair value of the investment properties in the future.
- Possibility of realization of the assumption used in valuation of the properties.

DIRECTORS' REPORT

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

We believe that our employees are important assets of the Group. We use our best efforts to attract and retain appropriate and suitable personnel. We assess the available human resources on a continuous basis and will determine the need to recruit additional personnel to cope with our business development from time to time. We also emphasise continuing education and quality training of our staff to enhance their work performance. We offer training programmes to our employees, which are designed to develop their skills to meet our enterprise goals and our customers' requirements.

The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

The Group offers attractive remuneration packages to its employees, which include salary, discretionary bonuses and allowance. We determine the salaries of our employees mainly on the basis of their qualifications, experience, position and seniority.

The Group has maintained good relationship with its employees. We have not experienced any major strikes, work stoppages or labour disputes which affected our operations during the year. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the year.

Customers

We maintain close and stable relationships with our major customers. However, due to the business nature, we do not have any long-term contracts with our major customers. To cope with this situation, we maintain our relationships with our customers by ensuring the quality of our products and services, on-time delivery and maintaining our reputation in the industry.

We strive to strengthen our market position and actively establish rapport with potential customers from time to time, introducing our expertise and experience in the industry.

We believe that our ability to maintain our retail services at a high standard would improve customer satisfaction and in turn enhance our capacity in the future.

The Group generally allows the credit terms from its manufacturing customers range from telegraphic transfers before shipment, letters of credit at sight to 90 days and telegraphic transfers within 14 to 105 days. Please refer to the note 19 to the consolidated financial statements for more details of the trade receivables of the Group as at 30 June 2018.

During the year, the Group has not experienced any major disruption of business due to shipment delay or default of payment by our customers due to their financial difficulties. We did not have any major product dispute with our customers.

Suppliers

The Group has always paid great attention to and maintained a good working relationship with the upstream suppliers. We maintain a list of approved suppliers. We assess and evaluate the industry qualification, reference check, business scale, on-time delivery, financial stability and compliant history of the suppliers to determine whether a supplier is eligible for inclusion in the list of approved suppliers. We generally procure materials from suppliers in the list of approved suppliers to ensure the quality of the materials supplied.

DIRECTORS' REPORT

We have not entered into long term agreements with our suppliers.

Close relationships with a stable list of reliable suppliers would enable us to obtain quotes in an efficient manner. It would also enable us to provide quality work in a timely manner, whereby we can procure the necessary materials and supplies as and when they are needed from time to time, reducing the risk of shortage or delay in delivery of materials causing disruption to our works. We believe that our reputation in the industry of on-time settlement of accounts payable helps us to build a stable network of quality suppliers. We have therefore cultivated long term and well-established relationships with the major suppliers.

The payment terms granted by suppliers were generally from telegraphic transfers before shipment to 90 days. The payables were usually settled within the credit period. Please refer to the note 22 to the consolidated financial statements for more details of the trade payables of the Group as at 30 June, 2018.

The Group did not have any significant disputes with its major suppliers during the year.

The aforementioned suppliers and customers are good working partners creating value for the Group.

AUDITORS

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

On behalf of the Board
Sitoy Group Holdings Limited

Yeung Michael Wah Keung
Chairman
Hong Kong, 17 September 2018

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Sitoy Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 129, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties As at 30 June 2018, investment properties amounted to approximately HK$635,556,000, and represented approximately 25% of the total consolidated assets of the Group, which was material to the consolidated financial statements. To support management's assessment of the fair value of the properties, it was the Group's policy that property valuations are performed by an external appraiser at least once a year. The valuation of the properties involved significant judgement, was highly dependent on estimates and was based on a number of assumptions, such as market rent, market yield and term yield. The accounting policies and disclosures of the valuation of investment properties are included in notes 2.4, 3(ii) and 14 to the consolidated financial statements.	We considered the objectivity, independence and expertise of the external appraiser. We assessed the valuation approach and the key assumptions used, which included market rent, market yield and term yield which were used in developing the valuation through the income approach or market approach. Our internal valuation specialists were involved to assist us in evaluating the techniques and key assumptions used in the calculation against valuation guidelines and industry practice.
Inventory provision As at 30 June 2018, the Group had inventories of approximately HK$328,551,000. Because of fast changing market conditions, significant judgement and estimates made by management are involved in identifying inventories with net realizable values that are lower than their costs, and obsolescence with reference to selling prices and salability of inventories, and prevailing sales trend. The related judgement, estimates and disclosure of inventory provision are disclosed in notes 2.4, 3(v) and 18 to the consolidated financial statements.	Our procedures included, among others, selecting samples of inventories and reviewing their net realizable values with reference to their selling prices subsequent to the end of the reporting period and the Group's pricing strategy. We evaluated management's assessment of obsolescence of inventories with reference to their ageing, the condition of inventories, and the historical and prevailing sales trend. We also evaluated sales forecasts prepared by management through benchmarking against market data and historical sales trend of the Group.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Siu Fung, Terence.

Ernst & Young
Certified Public Accountants
Hong Kong

17 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2018

		Year ended 30 June	
	Notes	2018 HK$'000	2017 HK$'000
REVENUE	6	**2,305,796**	1,916,937
Cost of sales		**(1,668,577)**	(1,398,803)
Gross profit		**637,219**	518,134
Other income and gains	6	**78,105**	62,148
Selling and distribution expenses		**(196,909)**	(134,885)
Administrative expenses		**(224,476)**	(207,129)
Other expenses		**(11,742)**	(1,874)
PROFIT BEFORE TAX	7	**282,197**	236,394
Income tax expense	10	**(31,329)**	(25,312)
PROFIT FOR THE YEAR		**250,868**	211,082
Attributable to:			
Owners of the Company		**256,675**	211,082
Non-controlling interests		**(5,807)**	–
		250,868	211,082
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	12	**25.63**	21.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2018

		Year ended 30 June	
	Note	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR		**250,868**	211,082
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Exchange differences on translation of foreign operations		**2,430**	(14,586)
Gain on property revaluation	14	**–**	24,688
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,430**	10,102
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**253,298**	221,184
Attributable to:			
Owners of the Company		**259,105**	221,184
Non-controlling interests		**(5,807)**	–
		253,298	221,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**444,021**	462,572
Investment properties	14	**635,556**	571,556
Prepaid land lease payments	15	**17,035**	16,966
Intangible assets	16	**8,481**	5,734
Deferred tax assets	17	**24,537**	20,613
Prepayments	20	**983**	364
Total non-current assets		**1,130,613**	1,077,805
CURRENT ASSETS			
Inventories	18	**328,551**	239,023
Trade receivables	19	**515,500**	322,516
Prepayments, deposits and other receivables	20	**74,591**	42,043
Pledged deposits	21	**23,699**	22,798
Time deposit with original maturity of more than three months	21	**35,583**	34,565
Cash and cash equivalents	21	**447,552**	595,820
Total current assets		**1,425,476**	1,256,765
CURRENT LIABILITIES			
Trade payables	22	**216,170**	156,044
Other payables and accruals	23	**120,706**	97,949
Tax payable		**11,264**	15,476
Total current liabilities		**348,140**	269,469
NET CURRENT ASSETS		**1,077,336**	987,296
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,207,949**	2,065,101
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**2,363**	2,503
Deferred income	24	**3,610**	–
Total non-current liabilities		**5,973**	2,503
Net assets		**2,201,976**	2,062,598
EQUITY			
Share capital	25	**100,153**	100,153
Reserves	27	**2,102,127**	1,962,445
Equity attributable to owners of the Company		**2,202,280**	2,062,598
Non-controlling interests		**(304)**	–
Total equity		**2,201,976**	2,062,598

Yeung Wo Fai
Director

Lau Kin Shing, Charles
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK$'000 (note 25)	Share premium account* HK$'000 (note 27)	Share option reserve* HK$'000 (note 26)	Merger reserve* HK$'000 (note 27)	Statutory reserve fund* HK$'000 (note 27)	Asset revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017	100,153	1,010,081	5,479	4,030	59,296	24,688	(60,186)	919,057	2,062,598	–	2,062,598
Profit/(loss) for the year	–	–	–	–	–	–	–	256,675	256,675	(5,807)	250,868
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	2,430	–	2,430	–	2,430
Total comprehensive income for the year	–	–	–	–	–	–	2,430	256,675	259,105	(5,807)	253,298
Capital injections from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	5,503	5,503
2017 final dividend declared	–	–	–	–	–	–	–	(60,092)	(60,092)	–	(60,092)
2018 interim dividend declared	–	–	–	–	–	–	–	(60,092)	(60,092)	–	(60,092)
Equity-settled share option arrangement	–	–	761	–	–	–	–	–	761	–	761
Transfer of share option reserve upon the lapse of share options	–	–	(1,634)	–	–	–	–	1,634	–	–	–
Transfer from retained profits	–	–	–	–	1,684	–	–	(1,684)	–	–	–
At 30 June 2018	100,153	1,010,081	4,606	4,030	60,980	24,688	(57,756)	1,055,498	2,202,280	(304)	2,201,976

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2018

	Attributable to owners of the Company								
	Share capital HK$'000 (note 25)	Share premium account HK$'000 (note 27)	Share option reserve* HK$'000 (note 26)	Merger reserve* HK$'000 (note 27)	Statutory reserve fund* HK$'000 (note 27)	Asset revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 July 2016	100,153	1,010,081	3,538	4,030	57,158	–	(45,600)	1,050,202	2,179,562
Profit for the year	–	–	–	–	–	–	–	211,082	211,082
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(14,586)	–	(14,586)
Gain on property revaluation (note 14)	–	–	–	–	–	24,688	–	–	24,688
Total comprehensive income for the year	–	–	–	–	–	24,688	(14,586)	211,082	221,184
2016 final dividend declared	–	–	–	–	–	–	–	(130,199)	(130,199)
2016 special dividend declared	–	–	–	–	–	–	–	(150,230)	(150,230)
2017 interim dividend declared	–	–	–	–	–	–	–	(60,092)	(60,092)
Equity-settled share option arrangement	–	–	2,373	–	–	–	–	–	2,373
Transfer of share option reserve upon the lapse of share options	–	–	(432)	–	–	–	–	432	–
Transfer from retained profits	–	–	–	–	2,138	–	–	(2,138)	–
At 30 June 2017	100,153	1,010,081	5,479	4,030	59,296	24,688	(60,186)	919,057	2,062,598

* These reserve accounts comprise the consolidated reserves of approximately HK$2,102,127,000 (30 June 2017: HK$1,962,445,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2018

	Notes	Year ended 30 June 2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**282,197**	236,394
Adjustments for:			
Loss on disposal of items of property, plant and equipment	7	**946**	1,794
Depreciation	7	**46,111**	46,155
Amortization of prepaid land lease payments	7	**425**	414
Amortization of intangible assets	7	**387**	–
Amortization of deferred income	24	**(7)**	–
Fair value gain on investment properties	7	**(62,994)**	(40,609)
Equity-settled share option expense	26	**761**	2,373
Reversal for bad debt provision	19	**(44)**	–
(Reversal)/write-down of inventories to net realizable value	7	**(2,461)**	5,358
		265,321	251,879
Increase in trade receivables		**(191,387)**	(70,549)
(Increase)/decrease in prepayments, deposits and other receivables		**(31,348)**	2,044
(Increase)/decrease in inventories		**(79,146)**	30,224
Increase in trade payables		**56,486**	24,744
Decrease in other payables and accruals		**(2,994)**	(12,979)
Cash generated from operations		**16,932**	225,363
Hong Kong profits tax paid		**(32,707)**	(55,595)
Mainland China income tax paid		**(6,718)**	(5,813)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		**(22,493)**	163,955
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(22,326)**	(23,785)
Purchases of intangible assets		**–**	(175)
Proceeds from disposal of items of property, plant and equipment		**726**	123
Receipt of government grants for property, plant and equipment		**3,565**	–
Increase in time deposit with original maturity of more than three months		**(1,018)**	(34,565)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(19,053)**	(58,402)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injections from a non-controlling shareholder of a subsidiary		**5,503**	–
Dividends paid		**(120,184)**	(340,521)
Increase in pledged deposits		**(901)**	(303)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(115,582)**	(340,824)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(157,128)**	(235,271)
Cash and cash equivalents at beginning of year		**595,820**	830,572
Effect of foreign exchange rate changes, net		**8,860**	519
CASH AND CASH EQUIVALENTS AT END OF YEAR		**447,552**	595,820
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**447,552**	489,404
Non-pledged deposits with original maturity of less than three months when acquired		**–**	106,416
Cash and cash equivalents as stated in the consolidated statement of financial position and in the consolidated statement of cash flows	21	**447,552**	595,820

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

1. CORPORATE AND GROUP 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 address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. In the opinion of the Directors, the Company's controlling shareholders are Mr. Yeung Michael Wah Keung and Mr. Yeung Wo Fai.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the design, research, development, manufacturing, sale, retailing and wholesale of handbags, small leather goods, travel goods and footwear products, provision of advertising and marketing services and property investment.

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries) for the year ended 30 June 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date, on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]

Other than as explained below impact, the adoption of the above revised standards has had no significant financial effect on these financial statements. The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group does not have any subsidiary being classified as a disposal group held for sale as at 30 June 2018 and so no additional information is required to be disclosed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRSs including:
Amendments to IFRS 1	*First-time Adoption of International Financial Reporting Standards*[1]
Amendments to IAS 28	*Investments in Associates and Joint Ventures*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRSs including:
Amendments to IFRS 3	Previously held interest in a joint operation[2]
Amendments to IFRS 11	Previously held interest in a joint operation[2]
Amendments to IAS 12	Income tax consequences of payment on financial instruments classified as equity[2]
Amendments to IAS 23	Borrowing cost eligible for capitalization[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 July 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 July 2018. During the year ended 30 June 2018, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts related to the classification and measurement and the impairment requirements are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect the loss allowance to be significantly different upon application of the expected credit loss model.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15, issued in May 2014, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 July 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 July 2018 upon initial adoption of IFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During the current year, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15. Based on the assessment, the Group anticipates that the adoption of IFRS 15 is unlikely to have any significant impact on the revenue recognition except for the presentation and disclosures as follows.

The Group's principal activities consist of the design, research, development, manufacturing, sale, retailing and wholesale of handbags, small leather goods, travel goods and footwear products, provision of advertising and marketing services and property investment. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(a) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

IFRS 16, issued in Jan 2016, replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 July 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

As disclosed in note 30(b) to the consolidated financial statements, at 30 June 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$57,160,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognized as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognized, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

IFRIC-Int 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 July 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC-Int 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 July 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost.

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

Buildings	2% to 5%
Leasehold improvements	Over the shorter of the lease terms and estimated useful lives
Plant and machinery	10% to 33⅓%
Office equipment	10% to 25%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Intangible assets (other than goodwill)

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

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

Research and development costs

All research costs are charged to the consolidated statement of profit or loss as incurred.

Licenses

Purchased licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of ten years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss and other comprehensive income.

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

Subsequent measurement

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

Loans and receivables

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

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

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

Derecognition of financial liabilities

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

Income tax

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) from the rendering of services, in the period in which the services are rendered;

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

(d) rental income, on a time proportion basis over the lease terms.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the consolidated financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

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

Employees employed by the Group's operations in the Macau Special Administrative Region ("Macau") are members of government-managed retirement benefits scheme operated by the Macau government. The Macau operations are required to pay a monthly fixed contribution to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the Macau government is to make the required contributions under the scheme.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the consolidated financial statements.

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

Foreign currencies

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

Foreign currency transactions recorded by the entities within the Group are initially recorded using their respective functional currency rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of subsidiaries in Mainland China and Macau are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of profit or loss.

For the purpose of presenting the consolidated statement of cash flows, the cash flows of these entities are translated into HK$ at the exchange rates ruling at the dates of the cash flows.

Frequent recurring cash flows of these entities which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompany disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

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

Operating lease arrangements – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Withholding taxes arising from the distributions of dividends

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainties

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

(i) Impairment of non-financial assets (other than goodwill)

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

(ii) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 30 June 2018 was approximately HK$635,556,000 (2017: HK$571,556,000). Further details, including the key assumptions used for fair value measurement are included in note 14 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainties (continued)

(iii) Useful lives of property, plant and equipment

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

(iv) Deferred tax assets

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

(v) Net realizable value of inventories

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

(vi) Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision of corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the corporate income tax and tax provisions in the period in which the differences are realized. Further details are contained in note 10 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

4. PARTICULARS OF COMPANIES COMPRISING THE GROUP

Particulars of the companies comprising the Group at 30 June 2018 are set out below:

Name of company	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Subsidiaries					
Sitoy International Limited	The British Virgin Islands ("BVI") 10 September 2010	US$1	100	–	Investment holding
Sitoy Handbag Factory Limited	BVI 23 May 2011	US$300	100	–	Investment holding
Sitoy Investment International Limited	BVI 23 May 2011	US$300	100	–	Investment holding
Sitoy Property Investment (BVI) Limited	BVI 4 May 2016	US$100	100	–	Investment holding
Harbour Century Limited	BVI 28 August 2013	US$1	–	100	Investment holding
Sitoy (Hong Kong) Handbag Factory Limited	Hong Kong 9 July 1982	HK$4,000,000	–	100	Investment holding, trading of handbags, small leather goods and travel goods
Sitoy Company Limited	Hong Kong 29 July 1986	HK$30,000	–	100	Investment holding, trading of handbags, small leather goods and travel goods
Sitoy Retailing Limited	Hong Kong 21 September 2010	HK$5,000,000	–	100	Investment holding, trading, retail and wholesale of handbags, small leather goods and travel goods
Sitoy Retailing (Macau) Limited	Macau 9 October 2015	Macau Pataca ("MOP$") MOP$25,000	–	100	Trading and retail of handbags, small leather goods and travel goods

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

4. PARTICULARS OF COMPANIES COMPRISING THE GROUP (continued)

Name of company	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sitoy K Retailing Company Limited (formerly known as "Sitoy KC Retailing Company Limited")	Hong Kong 18 May 2016	HK$10,000	–	75	Trading, retail and wholesale of fashion products
Sitoy BM Retailing Company Limited	Hong Kong 28 April 2016	HK$10,000	–	100	Trading, retail and wholesale of footwear products
Sitoy Property Investment Company Limited	Hong Kong 18 March 2016	HK$10,000	–	100	Investment holding
Worldmax Enterprises Limited	Hong Kong 30 November 2010	HK$10,000	–	100	Property investment
Sitoy CH Retailing Company Limited	Hong Kong 20 June 2017	HK$40,000,000	–	75	Trading and retail of footwear products
Dongguan Shidai Leather Products Factory Co., Ltd. @	The People's Republic of China ("PRC")/Mainland China 13 July 1992	HK$60,000,000	–	100	Manufacture and sale of handbags, small leather goods and travel goods
Sitoy (Yingde) Leather Products Co., Ltd. @	PRC/Mainland China 11 December 2006	HK$270,000,000	–	100	Manufacture and sale of handbags, small leather goods and travel goods
Sitoy (Yingde) Luggage Co., Ltd. @	PRC/Mainland China 30 May 2013	HK$70,000,000	–	100	Manufacture and sale of luggage and travel goods
Guangzhou Sitoy Leather Goods Company Limited* @	PRC/Mainland China 18 January 2011	HK$100,000,000	–	100	Design, retail and wholesale of handbags, small leather goods and travel goods, and provision of advertising and marketing service

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

4. PARTICULARS OF COMPANIES COMPRISING THE GROUP (continued)

Name of company	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Brilliant Treasure Development Limited	Hong Kong 18 March 2017	HK$1	–	100	Investment holding
Sitoy AT Investment Company Limited	Hong Kong 29 June 2018	HK$10,000	–	75	Investment holding
Sitoy JKY Retailing Company Limited	Hong Kong 18 December 2017	HK$1	–	75	Investment holding
Sitoy AT Retailing Company Limited	Hong Kong 18 July 2017	HK$10,000	–	75	Trading, retail and wholesale of fashion products
Shanghai Shiwo Trading Company Limited* @	PRC/Mainland China 14 July 2017	RMB20,000,000	–	75	Trading, retail and wholesale of fashion products
Sitoy Brand Management Company Limited	Hong Kong 29 May 2017	HK$40,000,000	–	75	Investment holding
Sitoy Retailing Investment Company Limited	Hong Kong 6 October 2017	HK$10,000	–	100	Investment holding

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

5. OPERATING SEGMENT INFORMATION

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

(a) Retail: manufactures, retails and wholesales handbags, small leather goods, travel goods and footwear products for the brands owned or licensed by the Group, and provision of handbag and accessories design, advertising and marketing services;

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

(c) Property investment: invests in office spaces for its rental income or capital appreciation purpose.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

5. OPERATING SEGMENT INFORMATION (continued)

	Year ended 30 June 2018			
	Retail HK$'000	Manufacturing HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	315,519	1,978,145	12,132	2,305,796
Intersegment sales	–	122,265	3,072	125,337
	315,519	2,100,410	15,204	2,431,133
Reconciliation:				
Elimination of intersegment sales	–	(122,265)	(3,072)	(125,337)
Total revenue				2,305,796
Segment results	22,144	198,819	68,752	289,715
Reconciliation:				
Corporate and other unallocated expenses				(7,518)
Profit before tax				282,197
Segment assets	306,731	2,321,339	657,081	3,285,151
Reconciliation:				
Elimination of intersegment receivables				(880,189)
Corporate and other unallocated assets				151,127
Total assets				2,556,089
Segment liabilities	362,529	304,607	566,883	1,234,019
Reconciliation:				
Elimination of intersegment payables				(880,189)
Corporate and other unallocated liabilities				283
Total liabilities				354,113
Other segment information:				
Depreciation of items of property, plant and equipment	6,434	37,148	–	43,582
Unallocated depreciation of items of property, plant and equipment				2,529
				46,111
Amortization of prepaid land lease payments	–	425	–	425
Amortization of intangible assets	387	–	–	387
(Reversal)/write-down of inventories to net realizable value	(3,532)	1,071	–	(2,461)
Operating lease rentals	49,625	4,711	–	54,336
Capital expenditure*	12,924	10,497	1,006	24,427

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

5. OPERATING SEGMENT INFORMATION (continued)

	Year ended 30 June 2017			
	Retail HK$'000	Manufacturing HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	159,501	1,748,287	9,149	1,916,937
Intersegment sales	–	68,390	–	68,390
	159,501	1,816,677	9,149	1,985,327
Reconciliation:				
Elimination of intersegment sales	–	(68,390)	–	(68,390)
Total revenue				1,916,937
Segment results	3,729	200,330	41,509	245,568
Reconciliation:				
Corporate and other unallocated expenses				(9,174)
Profit before tax				236,394
Segment assets	158,708	2,113,220	550,150	2,822,078
Reconciliation:				
Elimination of intersegment receivables				(681,597)
Corporate and other unallocated assets				194,089
Total assets				2,334,570
Segment liabilities	127,439	258,734	566,822	952,995
Reconciliation:				
Elimination of intersegment payables				(681,597)
Corporate and other unallocated liabilities				574
Total liabilities				271,972
Other segment information:				
Depreciation of items of property, plant and equipment	5,942	37,684	–	43,626
Unallocated depreciation of items of property, plant and equipment				2,529
				46,155
Amortization of prepaid land lease payments	–	414	–	414
Write-down of inventories to net realizable value	3,474	1,884	–	5,358
Operating lease rentals	29,077	4,903	–	33,980
Capital expenditure*	3,388	16,908	1,391	21,687

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, and investment properties during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Revenue		
North America	**633,611**	661,532
Mainland China, Hong Kong, Macau and Taiwan	**630,654**	366,105
Europe	**574,516**	505,598
Other Asian countries	**385,417**	316,475
Other countries/regions	**81,598**	67,227
	2,305,796	1,916,937

The revenue information above is based on the location of the customers.

(b) Non-current assets

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Mainland China, Hong Kong and Macau	**1,106,076**	1,057,192

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

Information about major customers

For the year ended 30 June 2018, revenue derived from sales by the manufacturing segment to one major customer amounting to HK$394,093,000 had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the year ended 30 June 2017, revenue derived from sales by the manufacturing segment to two major customers amounting to HK$302,827,000 and HK$251,471,000 had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and various types of government surcharges, where applicable; and gross rental income received and receivable from investment properties during the year.

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

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Revenue		
Sale of goods	**2,293,664**	1,907,788
Gross rental income	**12,132**	9,149
	2,305,796	1,916,937
Other income and gains		
Fair value gain on investment properties	**62,994**	40,609
Net sample and material income	**4,483**	6,245
Exchange gain, net	**–**	5,324
Interest income	**5,778**	4,257
Investment income	**2,801**	2,702
Government grants	**1,430**	2,326
Others	**619**	685
	78,105	62,148

7. PROFIT BEFORE TAX

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

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Cost of inventories sold	**1,668,577**	1,398,803
Employee benefit expense (including Directors' and chief executive's remuneration)		
– Wages and salaries	**612,805**	536,577
– Equity-settled share option expense	**761**	2,373
– Pension scheme contributions	**25,423**	22,091
	638,989	561,041

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

7. PROFIT BEFORE TAX (continued)

	Year ended 30 June	
	2018	2017
	HK$'000	HK$'000
Depreciation of items of property, plant and equipment	**46,111**	46,155
Amortization of prepaid land lease payments	**425**	414
Amortization of intangible assets	**387**	–
Operating lease rentals	**54,336**	33,980
Fair value gain on investment properties	**(62,994)**	(40,609)
(Reversal)/write-down of inventories to net realizable value	**(2,461)**	5,358
Loss on disposal of items of property, plant and equipment	**946**	1,794
Auditors' remuneration	**2,200**	2,000
Exchange loss/(gain), net	**8,195**	(5,324)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 30 June	
	2018	2017
	HK$'000	HK$'000
Fees	**863**	864
Other emoluments:		
Salaries, allowances and benefits in kind	**11,532**	10,546
Discretionary bonuses	**3,774**	4,368
Equity-settled share option expense	**306**	712
Pension scheme contributions	**195**	291
	15,807	15,917
	16,670	16,781

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 26 to the consolidated financial statements. The fair value of such options, which has been recognized in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

Independent non-executive Directors

The fees paid to independent non-executive Directors were as follows:

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Mr. Yeung Chi Tat	**220**	220
Mr. Kwan Po Chuen, Vincent	**220**	220
Mr. Lung Hung Cheuk	**220**	220
	660	660

As at 30 June 2018, there were no other emoluments payable to the independent non-executive Directors (30 June 2017: nil).

Executive directors and the chief executive

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 30 June 2018						
Mr. Yeung Michael Wah Keung	50	3,980	902	–	–	4,932
Mr. Yeung Wo Fai	50	3,582	812	–	18	4,462
Mr. Yeung Andrew Kin	50	1,425	1,196	–	131	2,802
Mr. Lau Kin Shing, Charles	50	2,448	406	237	18	3,159
Mr. Chan Ka Dig Adam*	3	97	458	69	28	655
	203	11,532	3,774	306	195	16,010
Year ended 30 June 2017						
Mr. Yeung Michael Wah Keung	50	3,980	902	–	–	4,932
Mr. Yeung Wo Fai	50	3,582	812	–	18	4,462
Mr. Yeung Andrew Kin	50	1,391	2,175	–	178	3,794
Mr. Lau Kin Shing Charles	4	203	–	48	2	257
Mr. Chan Ka Dig Adam*	50	1,390	479	664	93	2,676
	204	10,546	4,368	712	291	16,121

* Mr. Chan Ka Dig Adam resigned as executive director of the Company in July 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Mr. Yeung Wo Fai is also the chief executive of the Group and his remuneration disclosed above includes the remuneration for services rendered by him as the chief executive.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (year ended 30 June 2017: nil).

As at 30 June 2018, there was no remuneration payable to the Directors (30 June 2017: nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four Directors (2017: four Directors, including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining one (2017: one) highest paid employee who is neither a Director nor chief executive of the Company are as follows:

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**1,332**	2,440
Discretionary bonuses	**220**	406
Pension scheme contributions	**18**	18
Equity-settled share-option expenses	**–**	570
	1,570	3,434

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

	Number of employees Year ended 30 June	
	2018	2017
HK$1,500,001 to HK$2,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1
	1	1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

10. INCOME TAX EXPENSE

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

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

Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 30 June 2018 (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Macau Complementary Income Tax has not been provided for as the Group had no assessable profit arising in Macau during the year (2017: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% for the year ended 30 June 2018 (2017: 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/(credit) are as follows:

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Current – Hong Kong		
Charge for the year	**20,134**	28,470
Adjustments in respect of current income tax of previous years	**77**	(141)
Current – Mainland China		
Charge for the year	**16,882**	5,922
Adjustments in respect of current income tax of previous years	**(2,154)**	(3,288)
Deferred tax	**(3,610)**	(5,651)
Total tax charge for the year	**31,329**	25,312

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

10. INCOME TAX EXPENSE (continued)

Year ended 30 June 2018

	Hong Kong HK$'000	%	Macau HK$'000	%	Mainland China HK$'000	%	Cayman Islands* HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	201,108		(1,965)		73,927		9,127		282,197	
Tax at the statutory tax rate	33,183	16.5	(246)	12.5	18,482	25.0	1,506	16.5	52,925	18.7
Adjustments in respect of current tax of previous years	77	0.0	–	–	(2,154)	(2.9)	–	–	(2,077)	(0.7)
Income not subject to tax	(10,506)	(5.2)	–	–	–	–	(1,454)	(15.9)	(11,960)	(4.3)
Expenses not deductible for tax	429	0.2	–	–	586	0.8	–	–	1,015	0.4
Deductible temporary differences not recognized, net	(4,922)	(2.4)	–	–	(122)	(0.2)	–	–	(5,044)	(1.8)
Tax losses not recognized in current year	2,614	1.3	246	(12.5)	3,886	5.3	–	–	6,746	2.4
Tax losses recognized in current year	(4,516)	(2.2)	–	–	–	–	–	–	(4,516)	(1.6)
Tax losses utilized from previous years	(1,632)	(0.8)	–	–	(4,128)	(5.6)	–	–	(5,760)	(2.0)
Tax charge at the Group's effective rate	14,727	7.4	–	–	16,550	22.4	52	0.6	31,329	11.1

Year ended 30 June 2017

	Hong Kong HK$'000	%	Macau HK$'000	%	Mainland China HK$'000	%	Cayman Islands* HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	199,882		(2,228)		43,114		(4,374)		236,394	
Tax at the statutory tax rate	32,981	16.5	(279)	12.5	10,779	25.0	(722)	16.5	42,759	18.1
Adjustments in respect of current tax of previous years	(141)	(0.1)	–	–	(3,288)	(7.6)	–	–	(3,429)	(1.5)
Income not subject to tax	(6,899)	(3.5)	–	–	–	–	(225)	5.0	(7,124)	(3.0)
Expenses not deductible for tax	–	–	–	–	815	1.9	943	(21.6)	1,758	0.7
Deductible temporary differences not recognized, net	144	0.1	–	–	(120)	(0.3)	–	–	24	0.0
Additional deductible allowance	–	–	–	–	(3,575)	(8.3)	–	–	(3,575)	(1.5)
Tax losses not recognized in the current year	2,043	1.0	279	(12.5)	–	–	–	–	2,322	1.0
Tax losses utilized from previous years	(479)	(0.2)	–	–	(6,944)	(16.1)	–	–	(7,423)	(3.1)
Tax charge at the Group's effective rate	27,649	13.8	–	–	(2,333)	(5.4)	(4)	0.1	25,312	10.7

* During the years, the Company generated revenue in Hong Kong and was therefore subject to Hong Kong profits tax.

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Year ended 30 June 2018

11. DIVIDENDS

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Interim – 2018: HK6 cents per ordinary share (2017: HK6 cents per ordinary share)	**60,092**	60,092
Proposed final – 2018: HK6 cents per ordinary share (2017: HK6 cents per ordinary share) (i)	**60,092**	60,092
	120,184	120,184

Note:

(i) On 17 September 2018, the Board of Directors of the Company resolved to propose a final dividend for the year ended 30 June 2018 of HK6 cents (year ended 30 June 2017: a final dividend of HK6 cents) per ordinary share out of the consolidated retained profits of the Group as at 30 June 2018 subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the years ended 30 June 2018 and 2017 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,001,532,000 (year ended 30 June 2017: 1,001,532,000) in issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**256,675**	211,082

	Year ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,001,532,000**	1,001,532,000

For the year ended 30 June 2018, 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 was higher than the average market price of the shares of the Company (year ended 30 June 2017: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
30 June 2018							
Cost							
At 30 June 2017 and at 1 July 2017	423,231	78,324	163,090	59,717	8,203	2,034	734,599
Additions	–	8,335	4,180	5,796	1,700	1,277	21,288
Transfers	–	–	–	421	–	(421)	–
Disposals	–	(8,648)	(3,200)	(233)	(1,306)	–	(13,387)
Transferred to investment properties (note 14)	–	–	–	–	–	(1,006)	(1,006)
Exchange realignment	8,737	1,729	4,530	1,164	119	58	16,337
At 30 June 2018	431,968	79,740	168,600	66,865	8,716	1,942	757,831
Accumulated depreciation							
At 30 June 2017 and at 1 July 2017	78,710	60,702	90,887	35,748	5,980	–	272,027
Depreciation provided during the year	16,408	9,715	12,821	6,316	851	–	46,111
Disposals	–	(8,277)	(2,017)	(180)	(1,241)	–	(11,715)
Exchange realignment	2,445	1,507	2,537	815	83	–	7,387
At 30 June 2018	97,563	63,647	104,228	42,699	5,673	–	313,810
Net book value							
At 30 June 2018	334,405	16,093	64,372	24,166	3,043	1,942	444,021
At 30 June 2017	344,521	17,622	72,203	23,969	2,223	2,034	462,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
30 June 2017							
Cost							
At 30 June 2016 and at 1 July 2016	430,963	71,721	165,313	61,147	8,297	1,856	739,297
Additions	–	13,175	1,949	4,101	677	1,610	21,512
Transfers	–	–	–	16	–	(16)	–
Disposals	–	(5,610)	(1,797)	(4,962)	(712)	–	(13,081)
Transferred to investment properties (note 14)*	(3,129)	–	–	–	–	(1,391)	(4,520)
Exchange realignment	(4,603)	(962)	(2,375)	(585)	(59)	(25)	(8,609)
At 30 June 2017	423,231	78,324	163,090	59,717	8,203	2,034	734,599
Accumulated depreciation							
At 30 June 2016 and at 1 July 2016	65,229	55,826	80,047	34,547	6,051	–	241,700
Depreciation provided during the year	16,149	10,615	12,826	5,899	666	–	46,155
Disposals	–	(5,058)	(1,038)	(4,372)	(696)	–	(11,164)
Transferred to investment properties (note 14)	(1,817)	–	–	–	–	–	(1,817)
Exchange realignment	(851)	(681)	(948)	(326)	(41)	–	(2,847)
At 30 June 2017	78,710	60,702	90,887	35,748	5,980	–	272,027
Net book value							
At 30 June 2017	344,521	17,622	72,203	23,969	2,223	2,034	462,572
At 30 June 2016	365,734	15,895	85,266	26,600	2,246	1,856	497,597

* On 28 February 2017, an office building occupied by the Group as an owner-occupied property became an investment property. The building was revalued at the transfer date by Colliers International (Hong Kong) Limited, an independent professional qualified valuer, at an open market value of HK$26,000,000. A revaluation surplus of HK$24,688,000 (note 14), resulting from the above valuation, has been credited to other comprehensive income during the year ended 30 June 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

14. INVESTMENT PROPERTIES

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Carrying amount at beginning of the year	**571,556**	503,556
Transfer from construction in progress (note 13)	**1,006**	1,391
Transfer from owner-occupied property (note 13)	**–**	1,312
Gain on property revaluation upon transfer from owner-occupied property (note 13)	**–**	24,688
Fair value gain on investment properties (note 7)	**62,994**	40,609
Carrying amount at end of the year	**635,556**	571,556

The Group's investment properties consist of two commercial properties in Hong Kong. The Directors of the Company have determined that the investment properties are commercial based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 30 June 2018, based on valuations performed by Colliers International (Hong Kong) Limited, an independent professionally qualified valuer, at aggregated amount of approximately HK$635,556,000. Each year, the Directors decide to appoint an external valuer to be responsible for the valuations of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Directors have discussions with the valuer on the valuation assumptions and valuation results every year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 30(a) to the consolidated financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 30 June 2018 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	635,556	635,556

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Fair value measurement as at 30 June 2017 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	571,556	571,556

During the year, there were no transfers into or out of Level 3 (2017: nil).

Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy:

	Commercial property HK$'000
Carrying amount at 1 July 2016	503,556
Transfer from construction in progress (note13)	1,391
Transfer from owner-occupied property (note13)	1,312
Gain on property revaluation upon transfer from owner-occupied property (note 13)	24,688
Fair value gain on investment properties	40,609
Carrying amount at 30 June 2017 and 1 July 2017	571,556
Transfer from construction in progress (note13)	1,006
Fair value gain on investment properties	62,994
Carrying amount at 30 June 2018	635,556

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

14. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average
Commercial property 1	Income approach – Term and Reversion Analysis	Estimated rental value (per square foot and per month)	HK$33.05
		Estimated price (per square foot)	HK$10,697
		Market yield	2.6%
		Term yield	1.5%
Commercial property 2	Market approach	Estimated price (per square foot)	HK$4,665

For commercial property 1, a significant increase/(decrease) in the estimated market rent would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the term yield and market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

The Term and Reversion Analysis estimates the value of the properties on an open market basis by capitalizing the rental income on a fully leased basis having regard to the current passing rental income from the existing tenancies and the potential future reversionary rental income in the market. No allowances have been made for vacancy or capital deductions of any nature.

In this valuation method, the total rental income is divided into current passing rental income over the existing lease term (the term income) and potential future reversionary rental income after the expiry of the existing lease term (the reversionary income). The term "value" is derived by the capitalization of the term "income" over the existing lease term, while the reversionary value is derived by the capitalization of the reversionary income on a fully leased basis, which is then discounted back to the valuation date.

For commercial property 2, this valuation method provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysis such sales, which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

15. PREPAID LAND LEASE PAYMENTS

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Carrying amount at beginning of the year	**16,966**	17,653
Charge for the year	**(425)**	(414)
Exchange realignment	**494**	(273)
Carrying amount at end of the year	**17,035**	16,966

16. INTANGIBLE ASSETS

	Trademark HK$'000	License right HK$'000	Total HK$'000
30 June 2018			
Cost and net carrying amount at 1 July 2017	**5,734**	**–**	**5,734**
Additions*	**–**	**3,139**	**3,139**
Amortization provided during the year*	**–**	**(387)**	**(387)**
Exchange realignment	**–**	**(5)**	**(5)**
Cost and net carrying amount at 30 June 2018	**5,734**	**2,747**	**8,481**
30 June 2017			
Cost and net carrying amount at 1 July 2016	5,559	–	5,559
Additions	175	–	175
Cost and net carrying amount at 30 June 2017	5,734	–	5,734

* License right represents the franchise distribution right of "JOCKEY" which was acquired in current year.

Indefinite useful life

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

16. INTANGIBLE ASSETS (continued)

Impairment testing

The Directors estimated the recoverable amount of the trademark by comparing the higher of the fair value less costs to sell and the value in use of the trademark based on the discounted cash flow prepared by management. The estimate of the recoverable amount of the trademark as at 30 June 2018 was determined based on a value in use calculation using cash flow projections based on the three-year financial forecast approved by the executive Directors.

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

17. DEFERRED TAX

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

Deferred tax assets

	Unrealized gain arising from intra-group transactions HK$'000	Temporary differences on prepaid land lease payments HK$'000	Accruals and provisions HK$'000	Provision against inventories HK$'000	Operating loss HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 July 2016	2,102	7,054	3,164	2,326	–	624	15,270
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 10)	187	(163)	748	470	3,857	391	5,490
Exchange realignment	–	(109)	(41)	(31)	34	–	(147)
Gross deferred tax assets at 30 June 2017 and 1 July 2017	2,289	6,782	3,871	2,765	3,891	1,015	20,613
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 10)	946	(167)	(397)	639	2,302	126	3,449
Exchange realignment	–	197	106	90	82	–	475
At 30 June 2018	3,235	6,812	3,580	3,494	6,275	1,141	24,537

The amount of unrecognized tax losses as at 30 June 2018 was HK$93,384,000 (30 June 2017: HK$151,706,000).

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Year ended 30 June 2018

17. DEFERRED TAX (continued)

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 July 2016	2,680
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	(161)
Exchange realignment	(16)
Gross deferred tax liabilities at 30 June 2017 and 1 July 2017	2,503
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	(161)
Exchange realignment	21
At 30 June 2018	2,363

At 30 June 2018, no deferred tax liabilities had been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized approximately HK$572,716,000 (30 June 2017: HK$539,417,000).

18. INVENTORIES

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Raw materials	**77,545**	71,894
Work in progress	**147,251**	115,756
Finished goods	**117,732**	67,375
	342,528	255,025
Less: provision against inventories	**(13,977)**	(16,002)
	328,551	239,023

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

19. TRADE RECEIVABLES

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Trade receivables	**515,960**	323,020
Impairment	**(460)**	(504)
	515,500	322,516

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 letters of credit at sight to 90 days 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 aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Within 90 days	**495,231**	294,804
91 to 180 days	**10,643**	22,740
Over 180 days	**9,626**	4,972
	515,500	322,516

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

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
At beginning of year	**504**	504
Impairment losses reversed	**(44)**	–
	460	504

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

19. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for an individually impaired trade receivable of HK$460,000 (2017: HK$504,000) with a carrying amount before provision of HK$460,000 (2017: HK$561,000), which is included in the impaired trade receivables.

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.

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

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Neither past due nor impaired	**401,782**	204,989
Past due but not impaired:		
Less than 90 days	**104,159**	106,427
91 to 180 days	**8,819**	10,484
Over 180 days	**740**	559
	515,500	322,459

Receivables that were neither past due nor impaired relate to a 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 CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Non-current portion:		
Prepayments for items of property, plant and equipment	**983**	364
Current portion:		
Prepayments	**17,603**	8,817
Deposits and other receivables	**26,531**	18,040
Value-added tax	**30,457**	15,186
	74,591	42,043
Total	**75,574**	42,407

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

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

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Year ended 30 June 2018

21. CASH AND CASH EQUIVALENTS, PLEDGED AND TIME DEPOSITS

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Cash and bank balances	**447,552**	489,404
Time deposits	**59,282**	163,779
	506,834	653,183
Less: Time deposit with original maturity of more than three months	**(35,583)**	(34,565)
Time deposits pledged as security for banking facilities	**(23,699)**	(22,798)
Cash and cash equivalents	**447,552**	595,820

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

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Denominated in RMB	**308,947**	296,744

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

22. TRADE PAYABLES

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

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Within 90 days	**197,150**	143,122
91 to 180 days	**8,563**	9,479
181 to 365 days	**7,421**	479
Over 365 days	**3,036**	2,964
	216,170	156,044

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.

23. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Payroll payable	**59,552**	50,801
Advances from customers	**6,784**	6,870
Accruals	**7,775**	5,003
Other payables	**46,595**	35,275
	120,706	97,949

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

24. DEFERRED INCOME

	Government grants HK$'000
At 1 July 2016, 30 June 2017 and 1 July 2017	–
Additions*	3,565
Recognized during the year	(7)
Exchange realignment	52
At 30 June 2018	3,610

* During the current year, the Group received the government grant of "Guangdong High-Tech Company Breed Fund" amounted to approximately HK$3,565,000 which relates to assets.

25. SHARE CAPITAL

A summary of movements in the Company's share capital is as follows:

Shares:

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Issued and fully paid:		
1,001,532,000 (2017: 1,001,532,000) ordinary shares	**100,153**	100,153

There was no movement of the Company's share capital during the years ended 30 June 2018 and 2017.

Share options

Details of the Company's share option scheme and the share options granted under the scheme are included in note 26 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors (excluding the independent non-executive directors of the Company), senior managers and other employees of the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 15 November 2011.

A total of 95,653,000 shares (representing approximately 9.55% of the existing issued share capital of the Company) may be issued upon exercise of all options that may be granted and have been granted but not yet lapsed or exercised under the Share Option Scheme.

The maximum entitlement for any one participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of adoption of the Share Option Scheme. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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Year ended 30 June 2018

26. SHARE OPTION SCHEME (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

	2018 weighted average exercise price HK$ per share	Number of options '000
At 1 July 2017	**3.84**	6,299
Lapsed during the year	**3.84**	(1,799)
At 30 June 2018	**3.84**	4,500

As at the end of the reporting period, no share options were exercised or cancelled.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018 Number of options '000	Exercise price* HK$ per share	Exercise period
1,500	3.84	2016/9/21 to 2025/9/20
1,500	3.84	2017/9/21 to 2025/9/20
1,500	3.84	2018/9/21 to 2025/9/20
4,500		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

There was no share options granted during the year (2017: nil). The Group recognized a share option expense of HK$761,000 (2017: HK$2,373,000) during the year ended 30 June 2018.

At the date of approval of these consolidated financial statements, the Company had 4,500,000 share options outstanding under the Share Option Scheme, which represented approximately 0.45% of the Company's shares in issue as at that date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

27. RESERVES

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

Share premium

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

Merger reserve

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

Statutory reserve fund

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

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

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOW

(a) Changes in liabilities arising from financing activities

	Dividends payables HK$'000
At 1 July 2017	–
2017 final and 2018 interim dividends payables	(120,184)
Dividends paid	120,184
At 30 June 2018	–

29. PLEDGE OF ASSETS

Details of the Group's assets pledged for banking facilities of the Group are included in note 21 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to four years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Within one year	**4,508**	9,307
In the second to fifth years, inclusive	**4,916**	6,838
	9,424	16,145

(b) As lessee

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

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

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Within one year	**28,470**	20,591
In the second to fifth years, inclusive	**28,690**	8,167
	57,160	28,758

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	–	168

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Property lease from a company of which a Director of the Company is a controlling shareholder		
Golden Palace Corporation Limited	**2,400**	2,400
Maxon Properties Limited	**2,400**	2,400
	4,800	4,800

In the opinion of the Directors, the above related party transactions were on normal commercial terms or better and in the ordinary and usual course of business of the Group.

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

	Year ended 30 June	
	2018 HK$'000	2017 HK$'000
Short term employee benefits	**15,509**	15,118
Post-employment benefits	**195**	291
Equity-settled share option expense	**306**	712
Total compensation paid to key management personnel	**16,010**	16,121

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

The related party transactions in respect of the items above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	As at 30 June 2018 Loans and receivables HK$'000	As at 30 June 2017 Loans and receivables HK$'000
Trade receivables	**515,500**	322,516
Financial assets included in deposits and other receivables	**26,531**	18,040
Pledged deposits	**23,699**	22,798
Time deposit with original maturity of more than three months	**35,583**	34,565
Cash and cash equivalents	**447,552**	595,820
	1,048,865	993,739

Financial liabilities

	As at 30 June 2018 Financial liabilities at amortized cost HK$'000	As at 30 June 2017 Financial liabilities at amortized cost HK$'000
Trade payables	**216,170**	156,044
Financial liabilities included in other payables and accruals	**30,307**	24,143
	246,477	180,187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the year ended 30 June 2018, 85.1% (year ended 30 June 2017: 89.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 65.4% (year ended 30 June 2017: 61.3%) of costs were denominated in the units' functional currency.

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

	Increase/ (decrease) in US$/EUR/RMB %	Increase/ (decrease) in profit before tax HK$'000
Year ended 30 June 2018		
If HK$ weakens against US$	**5**	**20,598**
If HK$ strengthens against US$	**(5)**	**(20,598)**
If HK$ weakens against EUR	**5**	**993**
If HK$ strengthens against EUR	**(5)**	**(993)**
If HK$ weakens against RMB	**5**	**(8,843)**
If HK$ strengthens against RMB	**(5)**	**8,843**
Year ended 30 June 2017		
If HK$ weakens against US$	5	7,865
If HK$ strengthens against US$	(5)	(7,865)
If HK$ weakens against EUR	5	(218)
If HK$ strengthens against EUR	(5)	218
If HK$ weakens against RMB	5	228
If HK$ strengthens against RMB	(5)	(228)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged time deposits and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 30 June 2018, the Group had certain concentrations of credit risk as 42.0% (30 June 2017: 45.0%) of the Group's trade receivables were due from the Group's five largest customers.

Liquidity risk

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

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

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

As at 30 June 2018	**On demand HK$'000**	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**Total HK$'000**
Trade payables	**50,375**	**156,932**	**8,863**	**216,170**
Financial liabilities included in other payables and accruals	**30,307**	**–**	**–**	**30,307**
	80,682	**156,932**	**8,863**	**246,477**

As at 30 June 2017	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Total HK$'000
Trade payables	36,051	115,920	4,073	156,044
Financial liabilities included in other payables and accruals	24,143	–	–	24,143
	60,194	115,920	4,073	180,187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

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

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

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

As at 30 June 2018 and 2017, the Group had no interest-bearing bank borrowings. As such, no gearing ratio as at 30 June 2018 and 2017 is presented.

35. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 July 2018, 9,000,000 award shares were granted to selected participants of the Company. Among the 9,000,000 award shares granted, a total of 2,646,000 award shares (representing approximately 0.26% of the total number of shares in issues as at the date of this report) were granted to an executive Director of the Company.

(b) On 7 September 2018, by virtue of an assignment, Sitoy International Limited, a wholly-owned subsidiary of the Company, assumed all the rights and obligations of Oasis Giant Pte. Ltd. (a company wholly-owned by a director of a subsidiary of the Company) under a memorandum of understanding ("MOU"). Pursuant to the MOU, subject to the terms and conditions thereunder and a formal agreement, the sellers agreed to sell, and the Group agreed to purchase approximately 95.35% of the entire issued share capital of a target company at the consideration of Euro 9,535,210 (equivalent to approximately HK$86,975,418) (subject to adjustments).

Subject to negotiations, the Group is also considering the acquisition of the remaining approximately 4.65% equity interest in the target company.

The target company owns an international famous retail brand with heritage history and is principally engaged in wholesale and retail of leatherware, fashion garments and apparel.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
NON-CURRENT ASSETS			
Deferred tax assets		**1,141**	1,015
Investments in subsidiaries		**430,011**	430,001
Total non-current assets		**431,152**	431,016
CURRENT ASSETS			
Deposits and other receivables		**244**	420
Amounts due from subsidiaries		**701,182**	651,216
Pledged deposit		**13,562**	12,728
Cash and cash equivalents		**14,883**	56,101
Total current assets		**729,871**	720,465
CURRENT LIABILITIES			
Tax payable		**157**	280
Other payables and accruals		**124**	294
Total current liabilities		**281**	574
NET CURRENT ASSETS		**729,590**	719,891
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,160,742**	1,150,907
Net assets		**1,160,742**	1,150,907
EQUITY			
Share capital	25	**100,153**	100,153
Reserves (note)		**1,060,589**	1,050,754
Total equity		**1,160,742**	1,150,907

Yeung Wo Fai
Director

Lau Kin Shing, Charles
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000 (note 27)	Share option reserve HK$'000 (note 26)	Retained profits HK$'000	Total HK$'000
At 1 July 2016	1,050,081	3,538	(868)	1,052,751
Profit for the year	–	–	336,151	336,151
2016 final dividend declared	–	–	(130,199)	(130,199)
2016 special dividend declared	–	–	(150,230)	(150,230)
2017 interim dividend declared	–	–	(60,092)	(60,092)
Equity-settled share option arrangement	–	2,373	–	2,373
Transfer of share option reserve upon the lapse of share options	–	(432)	432	–
30 June 2017 and 1 July 2017	1,050,081	5,479	(4,806)	1,050,754
Profit for the year	–	–	129,258	129,258
2017 final dividend declared	–	–	(60,092)	(60,092)
2018 interim dividend declared	–	–	(60,092)	(60,092)
Equity-settled share option arrangement	–	761	–	761
Transfer of share option reserve upon the lapse of share options	–	(1,634)	1,634	–
At 30 June 2018	1,050,081	4,606	5,902	1,060,589

37. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 17 September 2018.

SUMMARY FINANCIAL INFORMATION

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

RESULTS:

	Year ended 30 June				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,305,796**	1,916,937	2,837,018	3,380,422	3,856,779
Profit before tax	**282,197**	236,394	445,341	507,721	620,254
Income tax expense	**(31,329)**	(25,312)	(75,199)	(95,774)	(116,000)
Profit for the year	**250,868**	211,082	370,142	411,947	504,254

ASSETS AND LIABILITIES:

	As at 30 June				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,556,089**	2,334,570	2,463,507	2,679,501	2,450,709
Total liabilities	**(354,113)**	(271,972)	(283,945)	(559,556)	(470,229)
Net assets	**2,201,976**	2,062,598	2,179,562	2,119,945	1,980,480

Note:

The consolidated results of the Group for the five years ended 30 June 2014, 2015, 2016, 2017 and 2018 and the consolidated assets and liabilities of the Group as at 30 June 2014, 2015, 2016, 2017 and 2018 have been extracted from the published audited consolidated financial statements.

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

時代集團控股有限公司
SITOY GROUP HOLDINGS LTD.