

2020 INTERIM REPORT SIToy



時代集團控股有限公司
SIToy GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1023

SIToytower

時代中心





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Corporate Information

Board of Directors

Executive Directors

Mr. Yeung Michael Wah Keung (*Chairman*)

Mr. Yeung Wo Fai (*Chief Executive Officer*)

Mr. Yeung Andrew Kin
(*Deputy General Manager*)

Dr. Lau Kin Shing, Charles
(*Chief Financial Officer*)

Independent Non-executive Directors

Mr. Yeung Chi Tat

Mr. Kwan Po Chuen, Vincent

Mr. Lung Hung Cheuk

Authorised Representatives

Mr. Yeung Wo Fai

Dr. Lau Kin Shing, Charles

Company Secretary

Dr. 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

Corporate Information

Legal Adviser as to Hong Kong Laws

Woo Kwan Lee & Lo

Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch 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

Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Sitou Group Holdings Limited (the “Company”) is pleased to present this interim report, including the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2019 (the “Period”).

Business Review

Retail business

Revenue generated from this segment increased by approximately 36.4% period-to-period to approximately HK\$305.8 million for the six months ended 31 December 2019. The loss before tax of the retail segment was approximately HK\$14.7 million for the six months ended 31 December 2019 when compared to the same period in the previous year of segment profit before tax of approximately HK\$13.3 million. It is mainly due to 1) weaker consumer sentiment caused by continuous social incidents in Hong Kong, and thus additional discounts offered by the Group to increase sales and lower the inventories and 2) costs for more management staff recruited to expand and manage the global retail business of the Group.

The Group manages a retail business platform with quality handbags and leather goods as its core products. As at 31 December 2019, there were six brands under its belt. Among these brands, 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. a.testoni and its diffusion line i29 are leading luxury labels the Group acquired in 2018. Kenneth Cole and Cole Haan are licensed to the Group to operate exclusively in Hong Kong and China.

Management Discussion and Analysis



*Kenneth Cole Fall Winter
2019*

The design teams dedicated to supporting the development of TUSCAN'S and Fashion & Joy handbags and Kenneth Cole footwear offerings continued to deliver designs that had earned recognition among the target customer groups. These, coupled with the Group's marketing campaigns, reinforced brand awareness which contributed to the stable brand development.

After the acquisition of a.testoni and i29, the Group has extended its retail presence from Hong Kong and China to other Asian countries including Japan, Korea and Taiwan, together with some physical stores in Italy, where the brand was originated.

On the digital front, the Group expanded offerings and product ranges available online via Tmall, JD.com, VIP.com and xiaohongshu.com or the brands' own websites. The Group endeavors to further enrich the product offerings available via a greater variety of online platforms to extend our reach to target customers.

Management Discussion and Analysis

Manufacturing business

During the Period, the Group's purchase orders received from its external customers have decreased by approximately 20.7% when compared with the corresponding period last year. The Group has maintained reasonable return with segment result of profit before tax to segment revenue ratio of approximately 10.0%. The segment profit before tax decreased mainly due to 1) intense competition among the Asian regions and 2) the increasing production and operating costs in mainland China. The manufacturing business has generated segment revenue from external customers of approximately HK\$835.2 million with segment result of profit before tax of approximately HK\$83.6 million.

The lingering trade tension between China and the United States of America during the Period prompted the Group to continue to adopt strategies including:

- (1) **Market Diversification:** Since we first began efforts in diversifying our market reach more than two years ago, we had lowered the proportion of the Group's revenue from North America to 18.5% as compared to 25.3% in the last corresponding period. The decline was offset by the higher contributions from the Asian market;
- (2) **Maintaining Our Core Competitiveness:** with higher level of craftsmanship and reliable supply chain management, we provide top quality products and credibility to our customers.

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 high quality raw materials at competitive prices, upgrading production facilities, continuing to optimise and streamline production procedures to boost competitiveness and satisfying brand customers' demands. The Group has made its best endeavours to tap new opportunities under a challenging business environment.

Management Discussion and Analysis

Property investment business

During the Period, the Group had three properties held for investment purposes to generate rental income: ground and sixteen floors of Sitoy Tower on Wai Yip Street, Kwun Tong; two floors of The Genplas Building on Hoi Yuen Road, Kwun Tong; a unit in Silvercord on Canton Road, Tsim Sha Tsui. The property investment segment has been generating stable returns for the Group. The property investment business has generated revenue of approximately HK\$8.0 million with segment result of profit before tax of approximately HK\$4.5 million during the Period as no fair value gain on the investment properties was recorded.

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 high 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. We will also strengthen our Original Design Manufacturing offerings to combine our well-proven craftsmanship and services with cutting-edge handbag and footwear designs in order to attract more brand customers.

Management Discussion and Analysis

Prospect

Retail business

The acquisition of A. Testoni S.p.A. and its subsidiaries presented a success in the Group's strategy in expanding its presence in the tier-one world designer market segment that has taken the Group's retail business operation to the next level. The Group will continue to consolidate this success and enhance products and operations of a. testoni, albeit at a slower pace in response to the current difficult environment. We will also seek to optimize our store locations in shopping malls of higher traffic flow, negotiate better terms with landlords for all our brands, and close stores with low productivity. In light of the headwind of the retail business environment caused by the coronavirus epidemic in China, Hong Kong and other parts of the world, we will remain cautious and agile in business operation and preserve liquidity for the situation to stabilise.

The development of the e-commerce business is running to take online orders from customers. The Group will further strengthen online sales and facilitate the development of a new retail model with integrated online to offline (O2O) sales, with a view to capturing the upcoming trend of the market development by presenting and delivering its products to its customers through different platforms.

As a brand operator, the Group will continue to invest in the enhancement of product design and development. The Group will also continue to launch different marketing activities to raise brand awareness and increase sales.

The Group has high confidence in taking management of its global business to the next level as capable international executives have been hired and will soon be on board.



F&J Fall Winter 2019

Management Discussion and Analysis

Manufacturing business

The slow down in global economy and the outbreak of novel coronavirus in China have created more uncertainties and volatility, and keener competition is expected in the manufacturing industry. Therefore, the remaining six months of this fiscal year will be full of challenges. The Group will continue to strengthen its ability to meet customers' diversified requirements, leveraging our extensive experience and outstanding craftsmanship in the manufacturing, design, research and development of handbags, leather goods and business and travel goods.

The Group has successfully diversified customer mix and product mix – a trend which is expected to continue in the coming six months. Certain European and Asian countries and areas, including Hong Kong and China, are expected to be the major markets of the Group, which is consistent with the Group's strategies to mitigate the concentration risk and reduce the reliance on the North American market.

The Group has fostered relationships with new customers from England, Germany Netherlands, and Spain. We are also intensifying efforts in prospecting opportunities from more potential customers in the Greater China region.

On the cost front the Group will invest in automated productions to reduce our reliance on manual labour, while making inroads into streamlining our manufacturing procedures further to make room for more effective control.

Property investment business

The properties held by the Group are expected to continue to generate stable rental income for the Group in the coming six months.



Cole Haan Spring Summer 2020

Management Discussion and Analysis

Financial Review

Revenue

The revenue decreased by approximately 10.5% to approximately HK\$1,148.9 million for the six months ended 31 December 2019 from approximately HK\$1,283.3 million for the six months ended 31 December 2018. This decrease was primarily due to the decrease in demand from the brand customers in the manufacturing business.

Cost of sales

Cost of sales of the Group decreased by approximately 11.9% to approximately HK\$813.9 million for the six months ended 31 December 2019 from approximately HK\$923.8 million for the six months ended 31 December 2018. The decrease in cost of sales was in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately 6.8% to approximately HK\$335.0 million for the six months ended 31 December 2019 from approximately HK\$359.4 million for the six months ended 31 December 2018. Gross profit margin slightly increased to approximately 29.2% for the six months ended 31 December 2019 when compared with approximately 28.0% for the six months ended 31 December 2018 because of increasing contributions from retail business which earned higher gross profit ratio than manufacturing business.

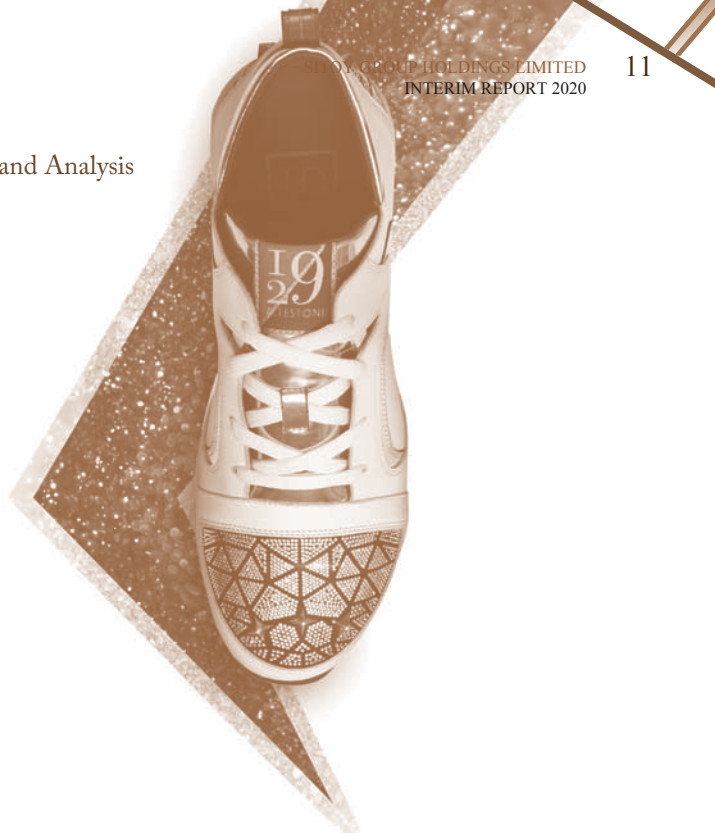
Selling and distribution expenses

Selling and distribution expenses increased by approximately 16.7% to approximately HK\$127.3 million for the six months ended 31 December 2019 from approximately HK\$109.0 million for the six months ended 31 December 2018. The increase was primarily attributable to the expansion of the retail business.

Administrative expenses

Administrative expenses increased slightly by approximately 3.2% to approximately HK\$154.9 million for the six months ended 31 December 2019 from approximately HK\$150.2 million for the six months ended 31 December 2018.

Management Discussion and Analysis



129 Spring Summer 2019

Income tax expense

Under the current laws of the Cayman Islands and the British Virgin Islands (the “BVI”), 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 BVI.

Hong Kong Profits Tax as applicable to the Group was 16.5% for the six months ended 31 December 2019 and 2018 on the assessable profits arising in Hong Kong during the relevant periods.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit arising in Macau during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

Italy, Taiwan and Japan Income Tax has been provided at the rate of 31.4%, 15% and 43% (six months ended 31 December 2018: nil) of the assessable profits arising in related region during the six months ended 31 December 2019. Korea and USA Income Tax has not been provided for as the Group has no assessable profit arising in related region during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

The PRC Corporate Income Tax was based on a statutory rate of 25% of the assessable profit of all the subsidiaries incorporated in the PRC as determined in accordance with the PRC Corporate Income Tax Law.

The effective tax rate of the Group was 35.9% for the six months ended 31 December 2019 (six months ended 31 December 2018: 24.1%). The increase was due to the fully utilised tax losses of certain mainland China subsidiaries and no fair value gain on investment properties during six months ended 31 December 2019.

Management Discussion and Analysis

Profit for the Period

Profit for the Period decreased by approximately HK\$66.8 million to approximately HK\$42.2 million for the six months ended 31 December 2019 from approximately HK\$109.0 million for the six months ended 31 December 2018. As a percentage of revenue, profit margin ratio achieved approximately 3.7% for the six months ended 31 December 2019 (six months ended 31 December 2018: 8.5%). The decrease was mainly due to 1) no fair value gain on investment properties during six months ended 31 December 2019; 2) decrease in manufacturing business and 3) increase in selling and distribution expenses to expand the retail business.

Investment properties

Details of investment properties of the Group with carrying amounts of approximately HK\$733.1 million as at 31 December 2019 and 30 June 2019 are as follows:

As at 31 December 2019 and 30 June 2019

Property	Address	Use	Lease term
Ground to 6th and 11th to 20th Floor, Sitoy Tower	Ground to 6th and 11th to 20th Floor, Sitoy Tower, No. 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 316)	Commercial (for rental income and capital appreciation purposes)	Medium term lease
4th to 5th Floor, The Genplas Building	4th to 5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 58)	Industrial (for rental income and capital appreciation purposes)	Medium term lease
No. 1011, 10th Floor, Tower 1, Silvercord	No. 1011, 10th Floor, Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (Kowloon Inland lot number 10456)	Commercial (for rental income and capital appreciation purposes)	Medium term lease

Management Discussion and Analysis

On 13 May 2016, Sitoy Property Investment Company Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement to acquire the entire issued share capital of and the shareholder's loan owing by Harbour Century Limited at the consideration of HK\$560 million, subject to adjustments. Harbour Century Limited wholly owns Worldmax Enterprises Limited, which in turn owns a 20-storey office building located at No. 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (Kwun Tong inland lot No. of 316) (the "Property 1").

The Property 1 held by the Group is with a total gross floor area of approximately 70,000 square feet. The Property 1 was re-named as "Sitoy Tower", 7th to 10th Floor are for the Group's own use as the Group's headquarter, showrooms for merchandise display and market week, and classified as "Property, Plant and Equipment" instead of investment properties in the financial statements of the Group. The remaining floors of Property 1 are held for rental income and capital appreciation purposes. As at 31 December 2019, the fair value of the remaining floors of Property 1 was approximately HK\$625.1 million, which represented approximately 22.7% of the Group's total assets. During the six months ended 31 December 2019, the remaining floors of Property 1 had generated total rental income of approximately HK\$6.6 million. No fair value change recognized during the six months ended 31 December 2019.

During the year ended 30 June 2017, the Company's offices located at 4th to 5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the "Property 2") ceased for the Group's own use and thus were transferred to investment properties. The Property 2 held by the Group has a total gross floor area of approximately 9,710 square feet and is held for rental income and capital appreciation purposes.

During the year ended 30 June 2019, the Company's office located at No. 1011, 10th Floor, Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (the "Property 3") ceased for the Group's own use and thus were transferred to investment property. The Property 3 was acquired through the acquisition of A. Testoni S.p.A. and its subsidiaries during the year ended 30 June 2019. The Property 3 has a total gross floor area of approximately 2,060 square feet and is held for rental income and capital appreciation purposes.

Management Discussion and Analysis

Capital expenditure

For the six months ended 31 December 2019, the capital expenditure of the Group amounted to approximately HK\$14.0 million, primarily related to the expansion of retail business and upgrade of manufacturing facilities.

Significant investments

Save as disclosed in section headed “Investment properties” above, the Group had no significant investments held during the Period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period.

Treasury policy

The Group adopts a 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 are 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 Group continues to adopt a prudent approach in managing its financial resources. The Group’s cash and cash equivalents as at 31 December 2019 amounted to approximately HK\$504.2 million (30 June 2019: approximately HK\$406.8 million) which are mainly denominated in Hong Kong dollars, Renminbi, Euro and United States dollars. The gearing ratio of the Group as at 31 December 2019 was approximately 7.1% (30 June 2019: 6.2%).

Management Discussion and Analysis

Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2019, 71.1% (30 June 2019: 75.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the transaction, whilst approximately 74.0% (30 June 2019: 69.5%) of costs were denominated in the units' functional currency. As at 31 December 2019, the Group had no foreign exchange forward contracts and other financial derivatives outstanding (30 June 2019: nil).

Pledge of Assets

As at 31 December 2019, approximately HK\$23.5 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2019: approximately HK\$23.5 million).

As at 31 December 2019, secured bank borrowings was approximately HK\$143.6 million (30 June 2019: HK\$110.8 million).

Inventory turnover days

Inventory turnover days increased to 97 days for the six months ended 31 December 2019 from 81 days for the year ended 30 June 2019. The increase in inventory turnover days was mainly due to the increase in sales contributions from retail business which resulted in higher turnover days.

Trade receivables turnover days

Trade receivables turnover days decreased to 71 days for the six months ended 31 December 2019 compared with 75 days for the year ended 30 June 2019. The decrease in trade receivables turnover days was mainly due to the decrease in average trade receivables as a result of decrease in manufacturing business. The Group did not experience any significant credit risk due to strict credit control policies.

Trade payables turnover days

Trade payables turnover days decreased to 62 days for the six months ended 31 December 2019 compared with 63 days for the year ended 30 June 2019.

Management Discussion and Analysis

Off-balance sheet commitments and arrangements and contingent liabilities

As at 31 December 2019, the Group did not have any material off-balance sheet commitments and arrangements. The Group did not have any contingent liabilities as at 31 December 2019.

Employees

As at 31 December 2019, the Group had about 7,800 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the Group are subject to social insurance, provident housing fund and certain other employee benefits in accordance with the PRC laws and regulations and adhere to both statutory employment standards and those requested by customers, such as minimum wage levels and maximum working hours. Moreover, the Group provides staff quarters for most employees and, in case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteen, sports site, library and internet centre for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the 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 centre 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 and a share award scheme approved on 12 July 2018 for the purpose of recognising employees' contribution. Details have been set out in the section headed "Share Option Scheme" and "Share Award Scheme" below.

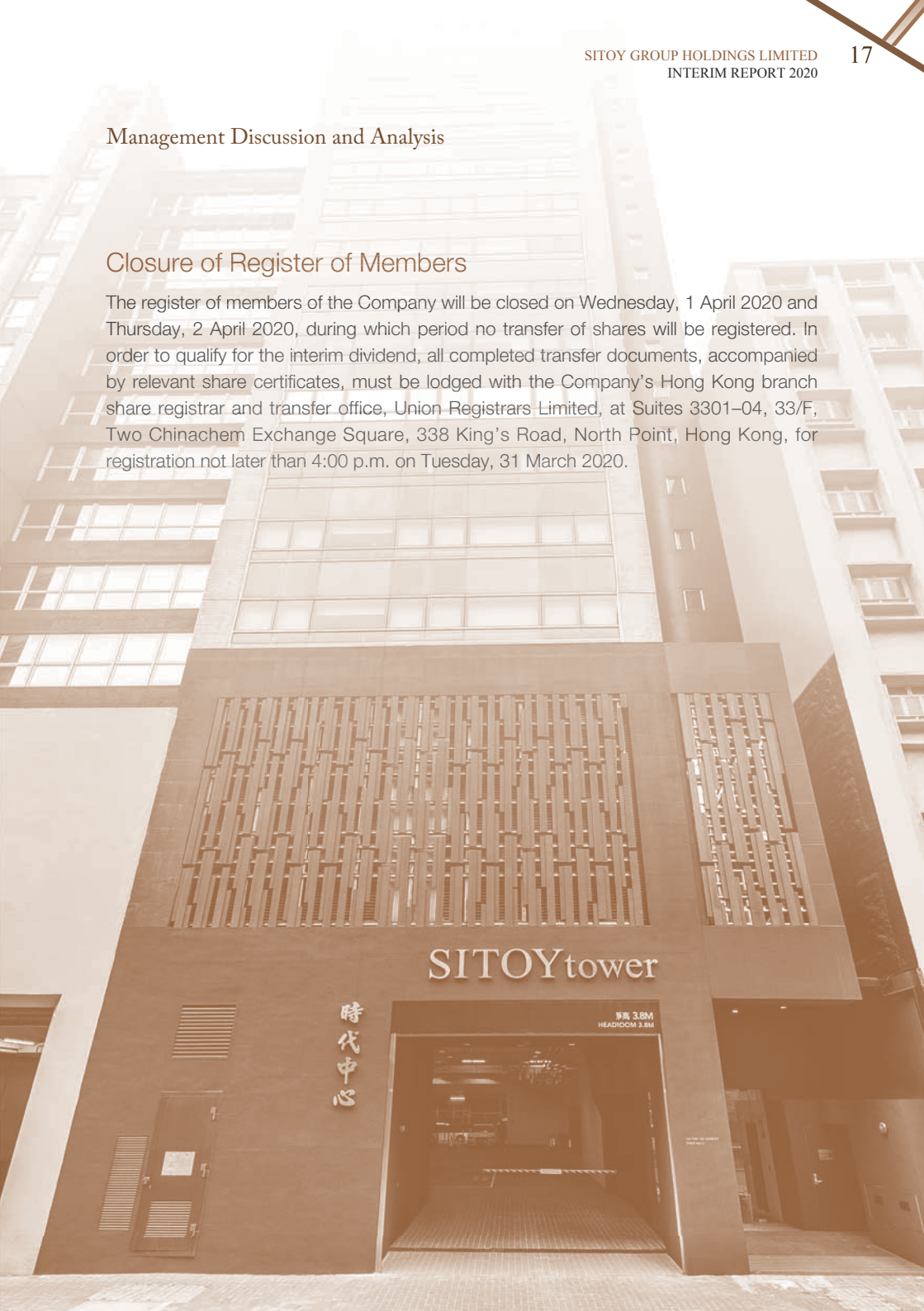
Dividend, Record and Payment Dates

The Directors have declared an interim dividend of HK2 cents (six months ended 31 December 2018: HK6 cents) per share to the shareholders for the six months ended 31 December 2019 in recognition of their continuous support. The interim dividend will be paid to shareholders whose names appear on the register of members of the Company on Thursday, 2 April 2020. It is expected that the interim dividend will be paid on or before Thursday, 23 April 2020.

Management Discussion and Analysis

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 1 April 2020 and Thursday, 2 April 2020, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, 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 Tuesday, 31 March 2020.



Corporate Governance and Other Information

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

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions

Name of Director	Capacity/ Nature of interest	Number of ordinary shares of the Company interested	Number of underlying shares of the Company interested pursuant to share options	Aggregate number of shares of the Company interested	Approximate percentage of the Company's issued shares
Mr. Yeung Michael Wah Keung	Beneficial owner/ personal interest	437,720,000	-	437,720,000	45.34%
Mr. Yeung Wo Fai	Beneficial owner/ personal interest	236,070,000	-	236,070,000	24.45%
Mr. Yeung Andrew Kin	Beneficial owner/ personal interest	10,500,000	-	10,500,000	1.09%
Dr. Lau Kin Shing, Charles	Beneficial owner/ personal interest	873,000 (Note)	1,544,000	4,240,000	0.44%
	Beneficiary of a trust	1,823,000 (Note)	-		

Note: 2,646,000 award shares were granted to Dr. Lau Kin Shing, Charles ("Dr. Lau") on 12 July 2018 (the "Grant Date"). Subject to the condition that Dr. Lau remains in employment with the Group, (i) 823,000 award shares were vested on 12 July 2019 which falling on the first anniversary of the Grant Date; (ii) 882,000 award shares will be vested on the date falling on the second anniversary of the Grant Date; and (iii) 941,000 award shares will be vested on the date falling on the third anniversary of the Grant Date.

Corporate Governance and Other Information

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

(b) Rights to acquire shares of the Company

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

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

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

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

As at 31 December 2019, so far as the Directors were aware, the persons or corporations (other than the Directors or chief executive of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders of the Company	Capacity/Nature of interest	Number of ordinary shares of the Company interested	Approximate percentage of the Company's issued shares
Citigroup Inc.	Held by controlled corporation	900	
	Approved lending agent	50,953,939	5.28%

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person or corporation (other than Directors or chief executive of the Company) having an interest or short position in the shares and underlying shares which would require to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' and relevant employees' securities transactions

The Company has adopted the Model Code as its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made with all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for the six months ended 31 December 2019.

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 for the six months ended 31 December 2019 was noted by the Company.

Corporate Governance and Other Information

Change in Directors' information

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

Mr. Yeung Chi Tat has been appointed as an independent non-executive director of Birmingham Sports Holdings Limited (stock code: 2309), a company whose shares are listed on the Stock Exchange with effect from 8 November 2019.

From 1 March 2020 to 31 May 2020, the executive Directors, Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, Mr. Yeung Andrew Kin and Dr. Lau Kin Shing, Charles would reduce their emoluments including directors' fees, salaries and housing allowances by the amount of HK\$503,740, HK\$454,030, HK\$276,250 and HK\$6,250 respectively. The independent non-executive Directors, Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk would each reduce their directors' fees by the amount of HK\$27,500.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to its shareholders. 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 risk management and 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 optimise return for the shareholders of the Company.

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with the code provisions set out in the CG Code for the six months ended 31 December 2019.

Corporate Governance and Other Information

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management over 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 interim condensed consolidated financial statements for the six months ended 31 December 2019 have not been audited, but the audit committee has discussed with the management of the Company and the external auditors, Ernst & Young, on the appropriateness and consistency of the accounting policies that have been adopted by the Company. In addition, Ernst & Young has performed certain agreed upon procedures in accordance with the request of the audit committee regarding the interim results and the interim report for the six months ended 31 December 2019 and reported to the audit committee accordingly. The audit committee has reviewed the interim results and the interim report of the Group for the six months ended 31 December 2019.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 December 2019.

Corporate Governance and Other Information

Share Option Scheme

A share option scheme was approved and adopted by shareholders of the Company on 15 November 2011 (the "Share Option Scheme") to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants of the scheme. During the six months ended 31 December 2019, share options to subscribe for 4,500,000 ordinary shares of HK\$0.10 each of the Company were outstanding as at 31 December 2019.

As at 31 December 2019, share options to subscribe for 4,500,000 ordinary shares of HK\$0.10 each of the Company have been vested and 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 six months ended 31 December 2019 are as follows:

Grantees	Date of Grant	Exercise Price	Exercise Period	Number of Share Options					Balance as at 31 December 2019
				Balance as at 1 July 2019	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
<i>Directors:</i>									
Dr. Lau Kin Shing, Charles	21 September 2015	HK\$3.84	21 September 2016 to 20 September 2025 (i)	1,544,000	-	-	-	-	1,544,000
Sub-total:				1,544,000	-	-	-	-	1,544,000
Eligible employees (i)	21 September 2015	HK\$3.84	21 September 2016 to 20 September 2025 (i)	2,956,000	-	-	-	-	2,956,000
Grand Total:				4,500,000	-	-	-	-	4,500,000

Notes:

- (i) Share options were granted to certain eligible employees, all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and are participants of the Share Option Scheme with share options not exceeding the respective individual limits.

Corporate Governance and Other Information

- (ii) The share options granted to the above Director and eligible employees shall be vested in three equal tranches subject to 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 September 2015 to 20 September 2016	21 September 2016 to 20 September 2025
One-third of share options (rounded up to the nearest 1,000 share options)	21 September 2015 to 20 September 2017	21 September 2017 to 20 September 2025
Remaining share options	21 September 2015 to 20 September 2018	21 September 2018 to 20 September 2025

- (iii) The values of share options are subject to (i) subjectivity and uncertainty relating to the assumptions to which such values are subject; and (ii) limitation of the model used to estimate such values.

Except as disclosed above, no share option lapsed or was granted, exercised or cancelled under the Share Option Scheme during the six months ended 31 December 2019.

Share Award Scheme

On 12 July 2018, the Board adopted a share award scheme (the “Share Award Scheme”) to provide the Company with a flexible means of giving incentives to the participants of the scheme in order to retain them for continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Board may, at its discretion, determine from time to time the vesting criteria and conditions or periods for the award shares to be vested.

The total number of shares to be granted under the Share Award Scheme shall not exceed 10% of the total number of issued shares of the Company from time to time. The maximum number of award shares which may be granted to a selected participant but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued shares of the Company from time to time.

Corporate Governance and Other Information

In 2018, 9,000,000 award shares had been granted on 12 July 2018 to certain selected participants of the Group. Among the 9,000,000 award shares granted, a total of 2,646,000 award shares were granted to Dr. Lau Kin Shing, Charles (“Dr. Lau”), being the executive Director, chief financial officer, authorised representative and company secretary of the Company. Subject to the condition that Dr. Lau remains in employment with the Group, 823,000 award shares were vested on 12 July 2019. As Dr. Lau is an executive Director, he is a connected person of the Company and accordingly, the granting of the award shares to Dr. Lau constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Dr. Lau is not required to pay any consideration for the acceptance of the award shares. Based on the closing price of HK\$2.00 per share as quoted on the Stock Exchange on 12 July 2018 (being the grant date of the 9,000,000 award shares), the market value of the award shares granted to Dr. Lau amounts to HK\$5,292,000.

Further details of the Share Award Scheme are disclosed in note 17 to the interim condensed consolidated financial statements.

Board of Directors

As at the date of this report, the executive Directors are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, Mr. Yeung Andrew Kin and Dr. Lau Kin Shing, Charles; and the independent non-executive Directors are Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk.

By order of the Board
Sitoy Group Holdings Limited

Yeung Michael Wah Keung
Chairman

Hong Kong, 24 February 2020

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2019

		For the six months ended 31 December	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
REVENUE	4	1,148,921	1,283,282
Cost of sales		(813,917)	(923,847)
Gross profit		335,004	359,435
Other income and gains	4	24,054	45,645
Selling and distribution expenses		(127,288)	(109,045)
Administrative expenses		(154,944)	(150,150)
Impairment losses on financial assets		(626)	(174)
Other expenses		(4,841)	(905)
Financial costs		(5,499)	(1,186)
PROFIT BEFORE TAX	5	65,860	143,620
Income tax expense	6	(23,666)	(34,652)
PROFIT FOR THE PERIOD		42,194	108,968
Attributable to:			
Owners of the Company		45,984	114,819
Non-controlling interests		(3,790)	(5,851)
		42,194	108,968
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic			
– For profit for the period (HK cents)	8	4.79	11.73
Diluted			
– For profit for the period (HK cents)	8	4.78	11.70

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2019

	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	42,194	108,968
OTHER COMPREHENSIVE EXPENSE		
Exchange differences on translation of foreign operations	(23,293)	(35,537)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(23,293)	(35,537)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,901	73,431
Attributable to:		
Owners of the Company	22,691	79,282
Non-controlling interests	(3,790)	(5,851)
	18,901	73,431

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	390,169	409,471
Investment properties	10	733,095	733,095
Prepaid land lease payments	11(a)	–	15,914
Right-of-use assets	11(b)	154,962	–
Intangible assets		17,753	20,434
Deferred tax assets		33,639	33,213
Goodwill		2,346	2,346
Debt investments at fair value through other comprehensive income		13,558	13,996
Other non-current assets		7,343	7,489
Total non-current assets		1,352,865	1,235,958
CURRENT ASSETS			
Inventories		396,346	393,779
Trade receivables	12	401,658	485,699
Prepayments, other receivables and other assets		79,203	86,365
Pledged deposits		23,478	23,484
Cash and cash equivalents		504,203	406,779
Total current assets		1,404,888	1,396,106
CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	168,836	166,289
Trade payables	14	194,641	221,806
Other payables and accruals		157,766	155,928
Lease liabilities	11(c)	47,586	–
Tax payable		29,021	22,858
Total current liabilities		597,850	566,881
NET CURRENT ASSETS		807,038	829,225
TOTAL ASSETS LESS CURRENT LIABILITIES		2,159,903	2,065,183

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities	11(c)	92,766	–
Deferred tax liabilities		1,751	1,830
Deferred income		3,019	3,262
Total non-current liabilities		97,536	5,092
Net assets		2,062,367	2,060,091
EQUITY			
Share capital	15	96,543	96,543
Treasury shares	15	(13,385)	(19,910)
Reserves		1,988,207	1,988,666
Equity attributable to owners of the Company		2,071,365	2,065,299
Non-controlling interests		(8,998)	(5,208)
Total equity		2,062,367	2,060,091

Yeung Wo Fai
Director

Lau Kin Shing, Charles
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Attributable to owners of the Company												
	Share											Non-	
	Share capital	Treasury shares	premium account ¹	option/ award reserve ²	Merger reserve ³	Statutory reserve fund ⁴	Asset revaluation reserve ⁵	Fair value reserve ⁶	Exchange fluctuation reserve ⁷	Retained profits ⁸	Total	controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2019	96,543	(19,910)	924,014	15,444	4,030	69,984	24,688	307	(107,031)	1,057,230	2,065,299	(5,208)	2,060,091
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	45,984	45,984	(3,790)	42,194
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(23,293)	-	(23,293)	-	(23,293)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(23,293)	45,984	22,691	(3,790)	18,901
Equity-settled share award arrangement	-	-	-	2,569	-	-	-	-	-	-	2,569	-	2,569
Equity-settled share award vested	-	6,525	(941)	(5,584)	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(19,194)	(19,194)	-	(19,194)
Transfer from retained profits	-	-	-	-	-	4,442	-	-	-	(4,442)	-	-	-
At 31 December 2019 (unaudited)	96,543	(13,385)	923,073	12,429	4,030	74,426	24,688	307	(130,324)	1,079,578	2,071,365	(8,998)	2,062,367

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Attributable to owners of the Company											
	Share										Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium account*	Share option/award	Merger reserve	Statutory fund reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 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
Profit/(loss) for the period	-	-	-	-	-	-	-	-	114,819	114,819	(5,851)	109,968
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(35,537)	-	(35,537)	-	(35,537)
Total comprehensive income for the period	-	-	-	-	-	-	-	(35,537)	114,819	79,282	(5,851)	73,431
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	7,872	7,872
Equity-settled share award arrangement	-	-	-	5,362	-	-	-	-	-	5,362	-	5,362
Equity-settled share option arrangement	-	-	-	115	-	-	-	-	-	115	-	115
Repurchase of shares	(3,610)	(19,910)	(86,067)	-	-	-	-	-	(109,587)	-	-	(109,587)
Dividends	-	-	-	-	-	-	-	-	(57,415)	(57,415)	-	(57,415)
Transfer from retained profits	-	-	-	-	-	96	-	-	(96)	-	-	-
At 31 December 2018 (unaudited)	96,543	(19,910)	924,014	10,083	4,030	61,076	24,688	(93,293)	1,112,806	2,120,037	1,717	2,121,754

* These reserve accounts comprise the consolidated reserves of HK\$1,974,822,000 (31 December 2018: HK\$2,023,494,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	65,860	143,620
Total adjustments	90,658	9,240
Total working capital adjustments	24,515	(6,223)
Cash generated from operations	181,033	146,637
Profits tax paid	(19,983)	(15,476)
NET CASH FLOWS FROM OPERATING ACTIVITIES	161,050	131,161
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	50	285
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	185	–
Decrease in time deposit with original maturity of more than three months	–	1,344
Purchase of items of property, plant and equipment	(12,285)	(9,880)
Purchases of intangible assets	(1,604)	(3,139)
Cash paid for acquisition of subsidiaries	–	(52,706)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(13,654)	(64,096)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	161,472	–
Repayment of bank loans	(157,922)	(7,770)
Dividends paid	(19,194)	(57,415)
Interest paid	(3,539)	(1,186)
Repurchase of shares	–	(109,587)
Repayment of loans due to the former shareholder of a newly acquired subsidiary	–	(44,426)
Decrease in pledged deposits	–	437
Principal portion of lease payments	(24,794)	–
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(43,977)	(219,947)
NET DECREASE IN CASH AND CASH EQUIVALENTS	103,419	(152,882)
Cash and cash equivalents at beginning of the period	406,779	447,552
Effect of foreign exchange rate changes, net	(5,995)	(8,654)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	504,203	286,016

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

1. Corporate information

Sitoy Group Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 21 February 2008 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 311119, KY1-1205, Cayman Islands. In the opinion of the Directors, the controlling shareholders of the Company 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, footwear and fashion 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 “Stock Exchange”) on 6 December 2011.

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2019.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

2.2 Significant Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 30 June 2019, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") as noted below.

The Group has adopted the following new and revised IFRSs for the first time for the current period's interim condensed consolidated financial statements:

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to IFRSs 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

IFRS 16 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

2.2 Significant Accounting Policies (continued)

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 July 2019, and the comparative information for the year ended 30 June 2019 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plants, retail office and stores. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 July 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

2.2 Significant Accounting Policies (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impact on transition

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 July 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 July 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

2.2 Significant Accounting Policies (continued)

Financial impact at 1 July 2019

The impact arising from the adoption of IFRS 16 at 1 July 2019 was as follows:

	Increase/ (decrease) HK\$'000
Assets	
Increase in right-of-use assets	133,813
Decrease in prepaid land lease payments	(15,914)
Decrease in prepayments, other receivables and other assets	(310)
Increase in total assets	117,589
Liabilities	
Increase in lease liabilities	117,589

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 are as follows:

	HK\$'000
Operating lease commitments as at 30 June 2019	137,603
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 30 June 2020	(16,143)
	121,460
Weighted average incremental borrowing rate as at 1 July 2019	2.5%
Discounted operating lease commitments as at 1 July 2019	117,589
Lease liabilities as at 1 July 2019	117,589

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

3. 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, footwear and fashion 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 space 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/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss 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 Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

3. Operating Segment Information (continued)

For the six months ended 31 December 2019 (unaudited)

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	305,798	835,160	7,963	1,148,921
Intersegment sales	–	113,110	1,536	114,646
	305,798	948,270	9,499	1,263,567
Reconciliation:				
Elimination of intersegment sales	–	(113,110)	(1,536)	(114,646)
Total revenue				1,148,921
Segment results				
	(14,651)	83,603	4,544	73,496
<i>Reconciliation:</i>				
Corporate and other unallocated expenses, net				(7,636)
Profit before tax				65,860
Other segment information:				
Depreciation of items of property, plant and equipment	4,195	15,990	–	20,185
Unallocated depreciation of items of property, plant and equipment				1,275
				21,460
Amortization of right-of-use assets	21,833	2,022	–	23,855
Amortization of intangible assets	950	–	–	950
Write-down of inventories to net realizable value	30,567	2,415	–	32,982
Capital expenditure*	9,567	4,407	–	13,974

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

3. Operating Segment Information (continued)

For the six months ended 31 December 2018 (unaudited)

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	224,212	1,053,116	5,954	1,283,282
Intersegment sales	–	92,029	1,536	93,565
	224,212	1,145,145	7,490	1,376,847
<i>Reconciliation:</i>				
Elimination of intersegment sales	–	(92,029)	(1,536)	(93,565)
Total revenue				1,283,282
Segment results				
	13,327	114,395	27,976	155,698
<i>Reconciliation:</i>				
Corporate and other unallocated expenses, net				(12,078)
Profit before tax				143,620
Other segment information:				
Depreciation of items of property, plant and equipment	3,690	17,497	–	21,187
Unallocated depreciation of items of property, plant and equipment				1,274
				22,461
Amortization of prepaid land lease payments	–	211	–	211
Amortization of intangible assets	374	–	–	374
Write-down of inventories to net realizable value	3,499	1,816	–	5,315
Operating lease rentals	24,136	2,423	–	26,559
Capital expenditure*	5,639	4,564	340	10,543

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

3. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2019 and as at the date of the last annual financial statements (30 June 2019).

As at 31 December 2019 (unaudited)

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets	516,061	2,213,115	766,145	3,495,321
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(888,131)
Corporate and other unallocated assets				150,563
Total assets				2,757,753
Segment liabilities	665,688	350,882	566,879	1,583,449
<i>Reconciliation:</i>				
Elimination of intersegment payables				(888,131)
Corporate and other unallocated liabilities				68
Total liabilities				695,386

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

3. Operating Segment Information (continued)

As at 30 June 2019 (audited)

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets	618,734	2,138,008	760,383	3,517,125
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,037,052)
Corporate and other unallocated assets				151,991
Total assets				2,632,064
Segment liabilities	750,766	291,045	567,053	1,608,864
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,037,052)
Corporate and other unallocated liabilities				161
Total liabilities				571,973

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

3. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
North America	212,882	324,147
Europe	231,874	288,533
Mainland China, Hong Kong, Macau and Taiwan	464,049	433,237
Other Asian countries	214,065	207,760
Others	26,051	29,605
	1,148,921	1,283,282

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

3. Operating Segment Information (continued)

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

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Mainland China, Hong Kong, Macau and Taiwan	1,189,979	1,169,172
Europe	118,222	21,701
Other Asian countries	11,025	11,872
	1,319,226	1,202,745

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

4. Revenue, Other Income and Gains

Information about major customers

For the six months ended 31 December 2019, revenue derived from sales by the manufacturing segment to one major customer amounting to HK\$209,596,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

For the six months ended 31 December 2018, revenue derived from sales by the manufacturing segment to one major customer amounting to HK\$190,550,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

An analysis of revenue is as follows:

	For the six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	1,140,958	1,277,328
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	7,963	5,954
	1,148,921	1,283,282

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

4. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers*(i) Disaggregated revenue information*

The segment information for revenue from contracts with customers represented the revenue from retail and manufacturing business, which was disclosed in note 3 above.

(ii) Performance obligations

Information about the Group's performance obligations is summarized below:

Retail

The performance obligation is satisfied upon delivery of the goods.

Manufacturing

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 14 to 105 days from delivery, except for new customers, where payment in advance is normally required.

Other income and gains

	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Fair value gain on investment properties	–	25,660
Net sample and material income, net	2,321	3,647
Interest income	4,895	3,439
Exchange gain, net	10,465	11,227
Government grants	2,154	323
Royalty income	2,924	–
Others	1,295	1,349
	24,054	45,645

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

5. Profit Before Tax

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

	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cost of inventories sold	813,917	923,847
Employee benefit expense including Directors' remuneration		
– Wages and salaries	313,452	325,263
– Pension scheme contributions	13,934	9,057
– Equity-settled share award expense	2,569	5,361
– Equity-settled share option expense	–	115
	329,955	339,796
	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation of items of property, plant and equipment	21,460	22,461
Depreciation of right-of-use assets (for the six months ended 31 December 2018: amortisation of land lease payments)	23,855	211
Amortization of intangible assets	950	374
Minimum lease payments under operating leases	–	26,559
Lease payments not included in the measurement of lease liabilities	15,145	–
Write-down of inventories to net realizable value	32,982	5,315
Auditors' remuneration	950	950
Exchange gain, net	(10,465)	(11,227)

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

6. Income Tax Expense

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit arising in Macau during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2018: 25%) of the assessable profit of the subsidiaries in Mainland China as determined in accordance with the PRC Corporate Income Tax Law for the six months ended 31 December 2019.

Italy, Taiwan and Japan Income Tax has been provided at the rate of 31.4%, 15% and 43% (six months ended 31 December 2018: nil) of the assessable profits arising in related region during the six months ended 31 December 2019. Korea and USA Income Tax has not been provided for as the Group has no assessable profit arising in related region during the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

6. Income Tax Expense (continued)

The major components of income tax expense/(credit) are as follows:

	For the six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	3,294	5,554
Current – Mainland China		
Charge for the period	20,510	21,802
Current – Elsewhere		
Charge for the period	845	–
Deferred tax	(983)	7,296
Total tax charged for the period	23,666	34,652

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

7. Dividends

	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Dividends on ordinary shares declared and paid during the six-month period: Final dividend for the year ended 30 June 2019: HK2 cents per ordinary share (year ended 30 June 2018: HK6 cents)	19,194	57,415
Dividends on ordinary shares declared (not recognized as a liability as at 31 December): Interim dividend – HK2 cents per ordinary share (six months ended 31 December 2018: HK6 cents)	19,309	57,926

On 24 February 2020, the Board of Directors of the Company resolved to propose an interim dividend for the six months ended 31 December 2019 of HK2 cents (six months ended 31 December 2018: HK6 cents) per ordinary share out of the consolidated retained profits of the Group as at 31 December 2019.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

8. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2019 attributable to ordinary equity holders of the Company excluding cash dividend attributable to the awarded shares expected to be vested in the future as of the ending of the reporting period and the weighted average number of ordinary shares of 959,519,913 (six months ended 31 December 2018: 978,603,306) in issue excluding awarded shares during the six months ended 31 December 2019.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 31 December 2019 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 31 December 2019, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the six months ended 31 December 2019, 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 (six months ended 31 December 2018: nil).

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	45,984	114,819

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

8. Earnings Per Share (continued)

	For the six months ended 31 December	
	2019 (Unaudited)	2018 (Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	959,519,913	978,603,306
Effect of dilution – weighted average number of ordinary shares:	1,968,704	2,970,744
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	961,488,617	981,574,050
Basic earnings per share (HK cents)	4.79	11.73
Diluted earnings per share (HK cents)	4.78	11.70

9. Property, Plant and Equipment

During the six months ended 31 December 2019, the Group acquired property, plant and equipment with a cost of approximately HK\$12,370,000 (six months ended 31 December 2018: HK\$10,203,000).

During the six months ended 31 December 2019, depreciation for property, plant and equipment was HK\$21,460,000 (six months ended 31 December 2018: HK\$22,461,000).

During the six months ended 31 December 2019, property, plant and equipment with a net book value of HK\$761,000 (six months ended 31 December 2018: HK\$229,000) were disposed, resulting in a net loss on disposal of HK\$711,000 (six months ended 31 December 2018: gain of HK\$56,000).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

10. Investment Properties

	Six months ended 31 December 2019 HK\$'000 (Unaudited)	Year ended 30 June 2019 HK\$'000 (Audited)
Carrying amount at beginning of the period/year	733,095	635,556
Transfer from construction in progress	–	340
Transfer from owner-occupied property	–	59,939
Fair value loss on investment property transferred from owner-occupied property*	–	(3,000)
Fair value gain on investment properties	–	40,260
Carrying amount at end of the period/year	733,095	733,095

- * On 1 April 2019, an office building occupied by the Group as a self-occupied property became an investment property. The building was revalued at the transfer date by Vincorn Consulting and Appraisal Limited, an independent professionally qualified valuer, at an open market value of HK\$56,939,000, which was lower than the then carrying amount. A revaluation loss of HK\$3,000,000, resulting from the above valuation, has been charged to profit or loss during the year ended 30 June 2019.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

10. Investment Properties (continued)

The Group's investment properties consist of three commercial properties in Hong Kong. Below is certain information about these three commercial properties:

Property	Address	Existing use	Lease term
Ground to 6th and 11th to 20th floor, Sitoy Tower	No. 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 316)	Commercial (for rental income and capital appreciation purposes)	Medium term lease
4th to 5th Floor, The Genplas Building	4th to 5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 58)	Industrial (for rental income and capital appreciation purposes)	Medium term lease
Office No.1011 on 10th Floor of Tower 1	10th Floor of Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong (Kowloon Inland lot number 10456)	Commercial (for rental income and capital appreciation purposes)	Medium term lease

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

11. Leases

The Group as lessee

The Group has lease contracts for various items of plants, office and retail stores used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plants generally have lease terms of 5 years, while retail offices and stores generally have lease terms between 1 to 6 years. Other equipment generally has lease terms of 12 months or less and is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 July 2019)

	HK\$'000
Carrying amount at 1 July 2018	17,035
Recognised in profit or loss during the year	(422)
Exchange realignment	(699)
Carrying amount at 30 June 2019	15,914

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

11. Leases (continued)

The Group as lessee (continued)*(b) Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Prepaid land lease payments HK\$'000	Plants HK\$'000	Retailing stores HK\$'000	Total HK\$'000
As at 1 July 2019	15,914	13,651	104,248	133,813
Additions	–	–	46,365	46,365
Depreciation charge	(204)	(1,818)	(21,833)	(23,855)
Exchange realignment	(286)	(228)	(847)	(1,361)
As at 31 December 2019	15,424	11,605	127,933	154,962

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the period are as follows:

	2019 Lease liabilities HK\$'000
Carrying amount at 1 July 2019	117,589
New leases	46,675
Accretion of interest recognised during the period	1,960
Payments	(24,794)
Exchange realignment	(1,077)
Carrying amount at 31 December 2019	140,353
Analysed into:	
Current portion	47,587
Non-current portion	92,766

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

11. Leases (continued)

The Group as lessee (continued)

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 31 December 2019 HK\$'000
Interest on lease liabilities	1,960
Depreciation charge of right-of-use assets	23,855
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	15,145
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	856
Total amount recognised in profit or loss	41,816

(e) *Variable lease payments*

The Group leased a number of the retail stores and units in a shopping mall which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping mall. The amounts of the variable lease payments recognised in profit or loss for the current year for these leases are HK\$856,000.

(f) The future cash outflows relating to leases that have not yet commenced are disclosed in note 18 to the financial statements.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

11. Leases (continued)

The Group as lessee (continued)*The Group as lessor*

The Group leases its investment properties consisting of three commercial properties under operating lease arrangement. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group for the six months ended 31 December 2019 was HK\$7,963,000 (For the six months ended 31 December 2018: HK\$5,954,000), details of which are included in note 3 to the financial statements.

At 30 June 2019, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 1 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Within one year	15,983	11,531
After one year but within two years	12,993	15,271
After two years but within three years	3,622	12,756
	32,598	39,558

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For the six months ended 31 December 2019

12. Trade Receivables

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Trade receivables	404,797	488,212
Impairment	(3,139)	(2,513)
	401,658	485,699

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. Each customer has a maximum credit limit. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

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For the six months ended 31 December 2019

12. Trade Receivables (continued)

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

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Within 90 days	336,018	441,068
91 to 180 days	39,712	30,136
Over 180 days	25,928	14,495
	401,658	485,699

The movements in the loss allowance for impairment of trade receivables are as follows:

	Six months ended 31 December 2019 HK\$'000 (Unaudited)	Year ended 30 June 2019 HK\$'000 (Audited)
At beginning of year	2,513	460
Impairment losses, net	626	2,513
Amounts written off as uncollectible	–	(460)
At the end of period/year	3,139	2,513

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For the six months ended 31 December 2019

12. Trade Receivables (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019 (Unaudited)

	Current HK\$'000	1 month HK\$'000	Past due		Total HK\$'000
			1 to 3 months HK\$'000	Over 3 months HK\$'000	
Expected credit loss rate	0.22%	0.58%	6.59%	20.00%	0.78%
Gross carrying amount (HK\$'000)	291,958	97,294	8,792	6,753	404,797
Expected credit loss (HK\$'000)	650	560	579	1,350	3,139

As at 30 June 2019 (Audited)

	Current HK\$'000	1 month HK\$'000	Past due		Total HK\$'000
			1 to 3 months HK\$'000	Over 3 months HK\$'000	
Expected credit loss rate	0.16%	0.39%	4.44%	14.00%	0.51%
Gross carrying amount (HK\$'000)	367,820	104,045	7,941	8,406	488,212
Expected credit loss (HK\$'000)	580	405	352	1,176	2,513

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

13. Interest-Bearing Bank Borrowings

	As at 31 December 2019 (Unaudited)			As at 30 June 2019 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Lease liabilities (note 11(c))	2.2%- 4.35%	2020	47,586			-
Bank loans – secured	0.94%- 2.525%	On demand	143,555	1.750%- 2.525%	On demand	110,831
Bank loans – unsecured	1.878%- 2.25%	On demand	25,281	0.250%- 2.25%	On demand	55,458
			216,422			166,289
Non-current						
Lease liabilities (note 11(c))	2.2%- 4.35%	2021-2022	92,766			-

The bank loans agreements contain clauses which the banks have the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. The aggregate carrying amounts of long-term bank loans that contain a repayment on demand clause, which have been reclassified as current liabilities, are as follows:

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Aggregate carrying amount	38,052	56,631

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

13. Interest-Bearing Bank Borrowings (continued)

The Directors are of the opinion that the reclassification of the bank borrowings from non-current liabilities to current liabilities will not adversely affect the Group's financial and working capital position.

Without considering the bank's sole discretion to demand immediate repayment, the repayment schedule of the interest-bearing bank borrowings, based on the loan agreements, is as follows:

	As at 31 December 2019		As at 30 June 2019	
	(Unaudited)		(Audited)	
	Maturity	HK\$'000	Maturity	HK\$'000
Bank loans – secured	2020-2022	143,555	2019-2022	110,831
Bank loans – unsecured	2020	25,281	2019-2020	55,458
		168,836		166,289
Analyzed into:				
Bank loans repayable:				
Within one year or on demand		130,784		109,658
In the second year		32,866		34,847
In the third year		5,186		21,784
		168,836		166,289
Lease liabilities repayable:				
Within one year or on demand		47,586		–
In the second year		91,166		–
In the third year		1,600		–
		140,352		–

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

14. 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 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Within 90 days	190,057	201,921
91 to 180 days	2,040	7,866
181 to 365 days	1,367	5,108
Over 365 days	1,177	6,911
	194,641	221,806

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.

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For the six months ended 31 December 2019

15. Share Capital and Treasury Shares

A summary of the Company's share capital and treasury shares is as follows:

Shares:

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Issued and fully paid:		
959,702,000 (30 June 2019: 956,910,000) ordinary shares	95,970	95,691
Treasury shares:		
5,728,000 (30 June 2019: 8,520,000) ordinary shares (note 17)	573	852
	96,543	96,543

16. Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2019 (30 June 2019: nil).

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For the six months ended 31 December 2019

17. Share Award Scheme

In July 2018, 9,000,000 treasury shares were promised to be granted to nine grantees including an executive director and other senior managers under a share award scheme. Vesting of the shares is conditional upon the fulfilment of certain vesting conditions. The fair value of each awarded share at the grant date was HK\$2.00, which was equal to the market price of the shares on the date of grant.

The share award scheme shall be valid for a term of three years, commencing from the date of grant of the share award on 12 July 2018 and ending on the date on which all the awarded shares have been granted or otherwise cancelled. As the vesting condition of first tranche was fulfilled by the grantees, 2,792,000 treasury shares were vested to the grantees on 12 July 2019.

The group recognized an expense of approximately HK\$2,569,000 for the six months ended 31 December 2019 (for the six months ended 31 December 2018: HK\$5,361,000).

At the date of approval of these interim condensed consolidated financial statements, the Company had 5,728,000 treasury shares held under the share award scheme, which represented approximately 0.59% of the Company's shares in issue as at that date.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

18. Commitments

(a) Operating lease commitments as at 30 June 2019

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

At 30 June 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2019 HK\$'000 (Audited)
Within one year	44,703
In the second to fifth years, inclusive	70,249
Over the fifth years	22,651
	137,603

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

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For the six months ended 31 December 2019

19. Related Party Transactions

(a) (continued)

In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with related parties during the six months ended 31 December 2019:

	For the six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Property lease from a company of which a Director of the Company is a controlling shareholder		
Golden Palace Corporation Limited	–	1,200
Maxon Properties Limited	1,200	1,200
	1,200	2,400

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.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

19. Related Party Transactions (continued)

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

	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short term employee benefits	6,793	5,888
Post-employment benefits	63	47
Equity-settled share award expense	755	1,576
Equity-settled share option expense	–	40
Total compensation paid to key management personnel	7,611	7,551

20. Events After the Reporting Period

Effect assessment of the Novel Coronavirus disease outbreak

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures have been carried out throughout the whole country. The epidemic will impact business operations of certain industries as well as the overall economy. Therefore, the Company's operations and revenue may be affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Company will closely monitor the situation, and assess its impacts on our financial position and operating results. As of the date of this report, such assessment is still ongoing.

21. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on 24 February 2020.

SITTOY

2020 中期報告



時代集團控股有限公司
SITTOY GROUP HOLDINGS LTD.

(於開曼群島註冊成立的有限公司)

股份代號:1023