



2023 INTERIM REPORT

SITOY

F&J

TUSCAN'S

COLE HAAN



時代集團控股有限公司
SITOY GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1023

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Corporate Information

Board of Directors

Executive Directors

Mr. Yeung Michael Wah Keung (*Chairman*)

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

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

Non-executive Director

Dr. Lau Kin Shing, Charles

Independent Non-executive Directors

Mr. Yeung Chi Tat

Mr. Kwan Po Chuen, Vincent

Mr. Lung Hung Cheuk

Authorized Representatives

Dr. Yeung Wo Fai

Mr. Yeung Andrew Kin

Company Secretary

Mr. Cheung Kai Sun

(appointed on 12 December 2022)

Mr. Wong Yu Kit

(resigned on 12 December 2022)

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

Environmental, Social and Governance Committee

Dr. Yeung Wo Fai (*Chairman*)

Mr. Yeung Chi Tat

Mr. Kwan Po Chuen, Vincent

Dr. Lau Kin Shing, Charles

Legal Adviser as to Hong Kong Laws

Woo Kwan Lee & Lo

Corporate Information

Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

Cayman Islands Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586, Gardenia Court,
Camana Bay,
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 Sitoy 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 2022 (the “Period”).

Business Review

Retail business

Revenue generated from this segment decreased by approximately 14.8% period to period to approximately HK\$232.5 million for the Period, suffering from the COVID-19 pandemic policies implemented throughout the second half year in 2022 in the PRC. It generated segment profit before tax of approximately HK\$10.0 million when compared to the same period in the previous year of approximately HK\$22.6 million.



TUSCAN'S

Management Discussion and Analysis

The Group currently operates three 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. In view of the growing demand for fashion goods, the Group took a bold move and started to enrich its brand portfolio by obtaining exclusive rights for distribution and operation of the global brand, Cole Haan, in mainland China, Hong Kong, Macau and Taiwan.

On the digital front, the Group not only worked with certain key opinion leaders and entered into the live broadcast sales channel, like Tiktok and Tmall, but also started its own-operated live broadcast channels. The Group has successfully built up its own livestream sales team and achieved satisfactory results.

Manufacturing business

During the Period, the Group's purchase orders received from its external customers have increased by approximately 9.9% when compared to the same period in the previous year. It was mainly because brand customers were confident when placing orders, especially for travelling goods, after the rebound from the COVID-19 pandemic and the depreciation of Renminbi against United States dollar, which had also improved the gross profit margin of the manufacturing business segment to a certain extent. The manufacturing business has generated segment revenue from external customers of approximately HK\$716.9 million with segment profit before tax of approximately HK\$107.9 million for the Period.

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

The Group expanded into the property investment market in 2016 by acquiring a 20-storey office building, now named as “Sitoy Tower”, located in East Kowloon at 164 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland lot number 316). Prime office locations such as Central, Causeway Bay and nearby areas are occupied by enterprises and companies from the financial industry. Tenants from other industries, therefore, have to seek prime offices in other areas, such as East Kowloon, which are getting popular because of convenient locations, well-connected transportation options, and abundant lifestyle offerings such as shopping centres and entertainment facilities. In addition, the Company’s office premise located at 4th to 5th Floor, The Genplas Building, 56 Hoi Yuen Road, Kwun Tong ceased to be for own use and was transferred to investment properties for rental income and capital appreciation purpose in early 2017. In 2019, the Group transferred its self-use property located at No. 1011, 10th Floor, Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, to investment property for rental income and capital appreciation purpose. The property investment segment is expected to generate stable returns for the Group. The property investment business has generated revenue of approximately HK\$7.0 million with segment loss before tax of approximately HK\$3.1 million during the Period. This is mainly due to a fair value loss of approximately HK\$6.9 million recorded during the Period.

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 high level of craftsmanship and value-added services, the Group will strengthen its competitive edge in the industry, in order to 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 designs in order to attract more brand customers.

Management Discussion and Analysis

Prospect

Retail business

We are confident that retail business will rebound from the COVID-19 pandemic in the coming years. The Group has adopted various immediate measures, such as reviewing the point-of-sales network, enhancing organisation structure to achieve better resource allocation and strengthening our own e-commerce team, thereby maintaining the Group's strength for its long term development. We are open to any potential brand acquisition in order to enrich our brand portfolio.

The PRC is an enormous market in which we expect the growth in domestic demand will ride on the accelerated recovery of market activities from the COVID-19 pandemic. Thanks to our well established retail network in the PRC in the past ten years, not only offline stores, but also online channels, we expect our retail segment will achieve satisfactory results and become another profit stream in the future.

The continuous development of the e-commerce business enables us 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 by presenting and delivering its products to its customers through broadcast sales on different platforms and channels.

Manufacturing business

After the rebound from the COVID-19 pandemic, brand customers are more confident when placing orders, especially for travelling goods. With the stable supply chain and high quality production facilities, we are confident that we can support the growing business in the PRC market, which benefits our manufacturing business in coming years, and we expect the growing trend will continue. The Group will continue to strengthen its ability to meet customers' diversified requirements, leveraging on our extensive experience and outstanding craftsmanship in the manufacturing, design, research and development of handbags, small leather goods, business and travel goods.

Management Discussion and Analysis

The Group has fostered relationships with new customers from England, Germany, the 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 and thereby enhance our competitiveness.

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 of this fiscal year.

Financial Review

Revenue

The Group's revenue increased by approximately 2.6% to approximately HK\$956.5 million for the six months ended 31 December 2022 from approximately HK\$932.6 million for the six months ended 31 December 2021. This increase was primarily due to the increase in demand from the brand customers in the manufacturing business.

Cost of sales

Cost of sales of the Group decreased by approximately 4.7% to approximately HK\$642.3 million for the six months ended 31 December 2022 from approximately HK\$673.9 million for the six months ended 31 December 2021. The decrease in cost of sales was not in line with the increase in revenue, owing to the depreciation of Renminbi against Hong Kong dollar, which resulted in the lower cost of sales.

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit increased by approximately 21.4% to approximately HK\$314.2 million for the six months ended 31 December 2022 from approximately HK\$258.7 million for the six months ended 31 December 2021. Gross profit margin increased from 27.7% for the six months ended 31 December 2021 to 32.8% for the six months ended 31 December 2022, mainly due to the depreciation of Renminbi against United States dollar, which had improved the gross profit margin.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 5.1% to approximately HK\$93.3 million for the six months ended 31 December 2022 from approximately HK\$88.8 million for the six months ended 31 December 2021. The increase was primarily attributable to the launch of certain marketing activities of the retail business.

Administrative expenses

Administrative expenses decreased by approximately 6.2% to approximately HK\$105.3 million for the six months ended 31 December 2022 from approximately HK\$112.3 million for the six months ended 31 December 2021 due to the depreciation of Renminbi against Hong Kong dollar, which resulted in lower administrative expenses.

Other income and gains/expenses

Other income and gains increased from approximately HK\$13.9 million for the six months ended 31 December 2021 to approximately HK\$31.9 million for the six months ended 31 December 2022.

Other expenses decreased from approximately HK\$15.2 million for the six months ended 31 December 2021 to approximately HK\$7.5 million for the six months ended 31 December 2022.

The increase in other income and gains and decrease in other expenses were due to the exchange gain of approximately HK\$22.4 million recorded in current Period which was included in other income and gains. While exchange loss of approximately HK\$11.1 million recorded for the six months ended 31 December 2021 was included in other expenses.

Management Discussion and Analysis

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 2022 and 2021 of 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 2022 (six months ended 31 December 2021: 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 for the six months ended 31 December 2022 was 22.7% (2021: 19.4%).

Profit for the Period

The Group recorded net profit for the Period of approximately HK\$106.1 million when compared to the same period in 2021 of approximately HK\$6.5 million for the six months ended 31 December 2021 (profit from continuing operations of approximately HK\$44.0 million and loss from a discontinued operation of approximately HK\$37.5 million). The increase in profit was mainly due to 1) increase in the Group’s manufacturing revenue due to strong customers’ demand after the rebound from the COVID-19 pandemic in major markets; 2) recorded net gain on foreign exchange mainly driven by the depreciation of Renminbi against United States Dollar and 3) completion of disposal of loss-making business.

Management Discussion and Analysis

Investment properties

Details of investment properties of the Group with carrying amounts of approximately HK\$692.9 million and HK\$699.8 million as at 31 December 2022 and 30 June 2022 respectively are as follows:

As at 31 December 2022 and 30 June 2022

| 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. 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 2022, the fair value of the remaining floors of Property 1 was approximately HK\$598.4 million, which represented approximately 27.9% of the Group's total assets. During the six months ended 31 December 2022, the remaining floors of Property 1 had generated total rental income of approximately HK\$6.0 million. Fair value loss of approximately HK\$6.0 million was recognized in respect of Property 1 during the six months ended 31 December 2022 (2021: nil).

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 was 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 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

Right-of-use assets

As at 31 December 2022, right-of-use assets increased from approximately HK\$58.8 million as at 30 June 2022 to approximately HK\$64.5 million. It was mainly due to the opening of certain new retail stores during the Period.

Capital expenditure

For the six months ended 31 December 2022, the capital expenditure of the Group amounted to approximately HK\$6.8 million, primarily related to the expansion of retail business and upgrade of manufacturing facilities.

Significant investments

Save as disclosed, 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 its 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.

Management Discussion and Analysis

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 2022 amounted to approximately HK\$344.4 million (30 June 2022: approximately HK\$314.8 million) which are mainly denominated in Hong Kong dollars, Renminbi, Euro and United States dollars. No gearing ratio as at 31 December 2022 was presented as the cash and cash equivalents were higher than the total debt. The gearing ratio of the Group as at 30 June 2022 was approximately 6.1% which is net debt divided by total capital plus net debt. The Group's net debt consists of interest-bearing bank borrowings, lease liabilities, trade and bills payables and other payables and accruals, less cash and cash equivalents.

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 2022, 74.5% (31 December 2021: 65.2%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the transaction, whilst approximately 89.1% (31 December 2021: 79.5%) of costs were denominated in the units' functional currency. As at 31 December 2022, the Group had no foreign exchange forward contracts and other financial derivatives outstanding (30 June 2022: nil).

Pledge of assets

As at 31 December 2022, approximately HK\$45.5 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2022: approximately HK\$46.9 million).

As at 31 December 2022, secured bank borrowings were approximately HK\$20.0 million (30 June 2022: HK\$62.5 million).

Management Discussion and Analysis

Inventory turnover days

Inventory turnover days decreased to 83 days for the six months ended 31 December 2022 from 97 days for the year ended 30 June 2022. The decrease in inventory turnover days was mainly due to the increase in sales contributions from manufacturing business.

Trade receivables turnover days

Trade receivables turnover days increased to 70 days for the six months ended 31 December 2022 compared with 62 days for the year ended 30 June 2022. The Group did not experience any significant credit risk due to strict credit control policies.

Trade and bills payables turnover days

Trade and bills payables turnover days decreased to 73 days for the six months ended 31 December 2022 compared with 78 days for the year ended 30 June 2022. It was mainly due to decrease in trade and bills payables.

Off-balance sheet commitments and arrangements and contingent liabilities

As at 31 December 2022, the Group did not have any material off-balance sheet commitments and arrangements. The Group did not have any material contingent liabilities as at 31 December 2022.

Management Discussion and Analysis

Employees

As at 31 December 2022, the Group had about 4,500 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 recreational 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 on 15 November 2011 (which has lapsed on 14 November 2021) and a share award scheme 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.

Management Discussion and Analysis

Dividend, Record and Payment Dates

The Directors have declared an interim dividend of HK4 cents (six months ended 31 December 2021: HK2 cents) per ordinary share to the shareholders for the six months ended 31 December 2022 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, 6 April 2023. It is expected that the interim dividend will be paid on or before Friday, 28 April 2023.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 4 April 2023 to Thursday, 6 April 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong 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 Monday, 3 April 2023.

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 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (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% |
| Dr. 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 | 1,755,000 | 1,544,000 | 3,299,000 | 0.34% |

* The percentage was calculated based on 965,430,000 shares in issue as at 31 December 2022.

Corporate Governance and Other Information

Details of the Directors' interests in share options and the award shares granted by the Company are set out in the section headed "Share Option Scheme" and "Share Award 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 that would 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 2022, 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 2022, so far as the Directors were aware, the persons or corporations (other than the Directors or chief executive of the Company as disclosed above) who 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 shareholder of the Company | Capacity/Nature of interest | Number of ordinary shares of the Company interested | Approximate percentage of the Company's issued shares |
|--|-----------------------------|---|---|
| Samarang Ucits | Beneficial Owner | 48,543,000 | 5.03% |

* The percentage was calculated based on 965,430,000 shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 of the Company which would be required 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 2022.

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 2022 was noted by the Company.

Corporate Governance and Other Information

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible 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 has 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 2022.

Audit Committee

The Company has 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 2022 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 2022 and has 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 2022.

Corporate Governance and Other Information

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 December 2022.

Changes to Directors' information

The Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Period.

Change of Company Secretary

Mr. Wong Yu Kit ("Mr. Wong") has tendered his resignation as the company secretary of the Company (the "Company Secretary") with effect from 12 December 2022.

The Board resolved on 12 December 2022 to accept Mr. Wong's resignation, and on the same day appointed Mr. Cheung Kai Sun ("Mr. Cheung") as the Company Secretary in replacement of Mr. Wong with effect from 12 December 2022. For biographical details of Mr. Cheung, please refer to the announcement of the Company dated 12 December 2022.

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 2022, share options to subscribe for 4,500,000 ordinary shares of HK\$0.10 each of the Company were outstanding as at 31 December 2022.

As at 31 December 2022, 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.

Corporate Governance and Other Information

Details of the movements of the share options under the Share Option Scheme during the six months ended 31 December 2022 are as follows:

| Grantees | Date of Grant | Exercise Price | Exercise Period | Number of Share Options | | | | | Balance as at 31 December 2022 |
|----------------------------|-------------------|----------------|--|---------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------------|
| | | | | Balance as at 1 July 2022 | 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 |
| Sub-total: | 2,956,000 | | | 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.
- (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 |

Corporate Governance and Other Information

- (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 2022.

As the Share Option Scheme had lapsed on 14 November 2021, no further options under the Share Option Scheme will be issued but outstanding options granted under the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

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.

On 12 July 2018, 9,000,000 award shares had been granted 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 then executive Director 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, 882,000 award shares were vested on 12 July 2020 and 941,000 award shares were lapsed on 12 July 2021. As Dr. Lau was the then executive Director, he was a connected person of the Company and accordingly, the granting of the award shares to Dr. Lau constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Corporate Governance and Other Information

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, Dr. Yeung Wo Fai and Mr. Yeung Andrew Kin; the non-executive Director is 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, 27 February 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2022

| | | | | For the six months ended 31 December | | |
|---|---|-------|---------------------------------|---|--|--|
| | | Notes | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | | |
| CONTINUING OPERATIONS | | | | | | |
| REVENUE | 4 | | 956,486 | 932,622 | | |
| Cost of sales | | | (642,310) | (673,887) | | |
| Gross profit | | | 314,176 | 258,735 | | |
| Other income and gains | 4 | | 31,910 | 13,921 | | |
| Selling and distribution expenses | | | (93,321) | (88,793) | | |
| Administrative expenses | | | (105,258) | (112,260) | | |
| (Impairment losses)/reversal of impairment loss on financial assets, net | | | (437) | 629 | | |
| Other expenses | | | (7,476) | (15,201) | | |
| Finance costs | | | (2,403) | (2,460) | | |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 5 | | 137,191 | 54,571 | | |
| Income tax expense | 6 | | (31,088) | (10,576) | | |
| PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS | | | 106,103 | 43,995 | | |
| DISCONTINUED OPERATION | | | | | | |
| Loss for the period from a discontinued operation | 7 | | – | (37,457) | | |
| PROFIT FOR THE PERIOD | | | 106,103 | 6,538 | | |
| Attributable to: | | | | | | |
| Owners of the Company | | | 106,103 | 6,655 | | |
| Non-controlling interests | | | – | (117) | | |
| | | | 106,103 | 6,538 | | |

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2022

| | | For the six months ended 31 December | |
|--|---|---|---------------------------------|
| | | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Notes | | | |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| | 9 | | |
| Basic | | | |
| – For profit for the period (HK cents) | | 11.02 | 0.69 |
| – For profit for the period from continuing operations (HK cents) | | 11.02 | 4.57 |
| Diluted | | | |
| – For profit for the period (HK cents) | | 10.99 | 0.69 |
| – For profit for the period from continuing operations (HK cents) | | 10.99 | 4.57 |

Details of the dividends for the reporting period are disclosed in note 8 to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2022

| | For the six months ended 31 December | |
|---|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| PROFIT FOR THE PERIOD | 106,103 | 6,538 |
| OTHER COMPREHENSIVE INCOME | | |
| Exchange differences on translation of foreign operations | (47,359) | 18,261 |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX | (47,359) | 18,261 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 58,744 | 24,799 |
| Attributable to: | | |
| Owners of the Company | 58,744 | 24,916 |
| Non-controlling interests | – | (117) |
| | 58,744 | 24,799 |

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2022

| | Notes | As at 31 December 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 301,485 | 319,796 |
| Investment properties | 11 | 692,900 | 699,756 |
| Right-of-use assets | | 64,501 | 58,773 |
| Other intangible assets | | 2,424 | 2,424 |
| Deferred tax assets | | 22,301 | 20,835 |
| Other non-current assets | | 530 | 554 |
| Total non-current assets | | 1,084,141 | 1,102,138 |
| CURRENT ASSETS | | | |
| Inventories | | 252,831 | 286,719 |
| Trade receivables | 12 | 347,432 | 382,874 |
| Prepayments, other receivables and other assets | | 72,935 | 82,694 |
| Pledged deposits | | 45,451 | 46,858 |
| Cash and cash equivalents | | 344,406 | 314,783 |
| Total current assets | | 1,063,055 | 1,113,928 |
| CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 13 | 20,000 | 62,544 |
| Trade and bills payables | 14 | 163,370 | 225,256 |
| Other payables and accruals | | 96,413 | 96,282 |
| Lease liabilities | 13 | 24,172 | 23,866 |
| Tax payable | | 39,707 | 11,338 |
| Total current liabilities | | 343,662 | 419,286 |
| NET CURRENT ASSETS | | 719,393 | 694,642 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,803,534 | 1,796,780 |

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2022

| | Notes | As at 31 December 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|---|-------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 13 | 28,400 | 22,186 |
| Deferred tax liabilities | | 7,097 | 7,135 |
| Deferred income | | 1,683 | 1,923 |
| Total non-current liabilities | | 37,180 | 31,244 |
| Net assets | | 1,766,354 | 1,765,536 |
| EQUITY | | | |
| Share capital | 15 | 96,543 | 96,543 |
| Treasury shares | 15 | (6,375) | (6,375) |
| Reserves | | 1,676,186 | 1,675,368 |
| Equity attributable to owners of the Company | | 1,766,354 | 1,765,536 |
| Total equity | | 1,766,354 | 1,765,536 |

Yeung Wo Fai
Director

Yeung Andrew Kin
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---------------------------------------|-----------------|------------------------|------------------------------|-----------------|-------------------------|----------------------------|----------------|-------------------------------|-------------------|--------------|
| | Share capital | Treasury shares | Share premium account* | Share option/ award reserve* | Merger reserve* | Statutory reserve fund* | Asset revaluation reserve* | Other reserve* | Exchange fluctuation reserve* | Retained profits* | Total equity |
| | 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 2022 (Audited) | 96,543 | (6,375) | 922,063 | 11,137 | 4,030 | 87,092 | 24,688 | (29,050) | (97,857) | 753,265 | 1,765,536 |
| Profits for the period | - | - | - | - | - | - | - | - | - | 106,103 | 106,103 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | - | - | (47,359) | - | (47,359) |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | (47,359) | 106,103 | 58,744 |
| Dividends | - | - | - | - | - | - | - | - | - | (57,926) | (57,926) |
| Transfer from retained profits | - | - | - | - | - | 621 | - | - | - | (621) | - |
| At 31 December 2022 (unaudited) | 96,543 | (6,375) | 922,063 | 11,137 | 4,030 | 87,713 | 24,688 | (29,050) | (145,216) | 800,821 | 1,766,354 |

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | | | | | | |
|---|---------------------------------------|-----------------|------------------------|------------------------------|-----------------|-------------------------|----------------------------|-------------------------------------|--|-------------------------------|-------------------|---------------------------|----------|--------------|
| | Share capital | Treasury shares | Share premium account* | Share option/ award reserve* | Merger reserve* | Statutory reserve fund* | Asset revaluation reserve* | Other comprehensive income reserve* | Fair value reserve of financial assets at fair value through other comprehensive income reserve* | Exchange fluctuation reserve* | Retained profits* | Non-controlling interests | | Total equity |
| | | | | | | | | | | | | Total | equity | |
| | | | | | | | | | | | | HK\$'000 | HK\$'000 | |
| (note 15) | 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 | HK\$'000 |
| At 1 July 2021 (Audited) | 96,543 | (6,375) | 922,063 | 11,137 | 4,030 | 78,160 | 24,688 | (29,050) | 1,492 | (40,189) | 679,449 | 1,741,948 | 6,787 | 1,748,735 |
| Profits for the period | - | - | - | - | - | - | - | - | - | - | 6,655 | 6,655 | (117) | 6,538 |
| Other comprehensive income for the period: | | | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | - | - | - | 18,261 | - | 18,261 | - | 18,261 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | - | - | 18,261 | 6,655 | 24,916 | (117) | 24,799 |
| Dividends | - | - | - | - | - | - | - | - | - | - | (9,654) | (9,654) | - | (9,654) |
| Transfer from retained profits | - | - | - | - | - | 11,420 | - | - | - | - | (11,420) | - | - | - |
| At 31 December 2021 (unaudited) | 96,543 | (6,375) | 922,063 | 11,137 | 4,030 | 89,580 | 24,688 | (29,050) | 1,492 | (21,928) | 685,030 | 1,757,210 | 6,670 | 1,763,880 |

* These reserve accounts comprise the consolidated reserves of HK\$1,676,186,000 (31 December 2021: HK\$1,667,042,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2022

| | For the six months ended 31 December | |
|---|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) before tax: | | |
| From continuing operations | 137,191 | 54,571 |
| From discontinued operation | – | (42,955) |
| Total adjustments | 30,420 | 36,473 |
| Total working capital adjustments | 1,202 | (119,631) |
| Cash generated from/(used in) operations | 168,813 | (71,542) |
| Profits tax paid | (4,447) | (9,718) |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | 164,366 | (81,260) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of items of property, plant and equipment | 51 | 340 |
| Purchase of items of property, plant and equipment | (6,838) | (1,244) |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (6,787) | (904) |

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2022

| | For the six months ended 31 December | |
|---|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| New interest-bearing bank borrowings raised | – | 181,157 |
| Repayment of interest-bearing bank borrowings | (42,388) | (200,384) |
| Dividends paid | (57,926) | (9,654) |
| Interest paid | (2,403) | (4,210) |
| Principal portion of lease payments | (13,455) | (23,093) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | (116,172) | (56,184) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 41,407 | (138,348) |
| Cash and cash equivalents at beginning of the period | 314,783 | 477,820 |
| Effect of foreign exchange rate changes, net | (11,784) | 5,428 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 344,406 | 344,900 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 31119, KY1-1205, Cayman Islands. In the opinion of the Directors, the Company’s controlling shareholders are Mr. Yeung Michael Wah Keung and Dr. Yeung Wo Fai.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the design, research, development, manufacture, sale, retailing and wholesale of handbags, small leather goods, travel goods and footwear products, the 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 unaudited interim condensed consolidated financial statements for the six months ended 31 December 2022 have been prepared in accordance with International Accounting Standards (“IAS”) and Interpretations 34 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The unaudited interim condensed consolidated financial information does 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 2022.

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for investment properties, derivative financial instruments, wealth management products and equity investments which have been measured at fair value.

This unaudited interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”), unless otherwise stated.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information

| | |
|---|--|
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendment to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to IAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to IFRSs 2018-2020</i> | <i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41</i> |

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

2.2 Changes in Accounting Policies and Disclosures (continued)

The nature and impact of the revised IFRSs are described below (continued):

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

2.2 Changes in Accounting Policies and Disclosures (continued)

- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. The amendment did not have any impact on the financial position or performance of the Group.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations 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 2022

3. Operating Segment Information (continued)

For the six months ended 31 December 2022 (unaudited)

| | Retail HK\$'000 | Manufacturing HK\$'000 | Property investment HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------------|------------------------------------|-------------------|
| Segment revenue: | | | | |
| Sales to external customers | 232,518 | 716,923 | 7,045 | 956,486 |
| Intersegment sales | – | 110,088 | 1,536 | 111,624 |
| | 232,518 | 827,011 | 8,581 | 1,068,110 |
| Reconciliation: | | | | |
| Elimination of intersegment sales | – | (110,088) | (1,536) | (111,624) |
| Revenue from continuing operations | | | | 956,486 |
| Segment results | 10,003 | 107,908 | (3,096) | 114,815 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated income, net | | | | 22,376 |
| Profits before tax from continuing operations | | | | 137,191 |
| Other segment information: | | | | |
| Depreciation of items of property, plant and equipment | 2,806 | 12,485 | – | 15,291 |
| Unallocated depreciation of items of property, plant and equipment | | | | 1,275 |
| | | | | 16,566 |
| Amortization of right-of-use assets | 12,090 | 3,350 | – | 15,440 |
| Reversal of write-down of inventories to net realizable value | (6,147) | (3,208) | – | (9,355) |
| Capital expenditure* | 3,247 | 3,591 | – | 6,838 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. Operating Segment Information (continued)

For the six months ended 31 December 2021 (unaudited)

| | Retail HK\$'000 | Manufacturing HK\$'000 | Property investment HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------------|------------------------------------|-------------------|
| Segment revenue: | | | | |
| Sales to external customers | 272,898 | 652,251 | 7,473 | 932,622 |
| Intersegment sales | – | 134,361 | 1,536 | 135,897 |
| | 272,898 | 786,612 | 9,009 | 1,068,519 |
| Reconciliation: | | | | |
| Elimination of intersegment sales | – | (134,361) | (1,536) | (135,897) |
| Revenue from continuing operations | | | | 932,622 |
| Segment results | | | | |
| | 22,622 | 31,181 | 3,422 | 57,225 |
| <i>Reconciliation:</i> | | | | |
| Corporate and other unallocated expenses, net | | | | (2,654) |
| Profits before tax from continuing operations | | | | 54,571 |
| Other segment information: | | | | |
| Depreciation of items of property, plant and equipment | 2,495 | 13,189 | – | 15,684 |
| Unallocated depreciation of items of property, plant and equipment | | | | 1,275 |
| | | | | 16,959 |
| Amortization of right-of-use assets | 12,242 | 2,846 | – | 15,088 |
| Reversal of write-down of inventories to net realizable value | (117) | (8,646) | – | (8,763) |
| Capital expenditure* | 1,371 | 4,137 | – | 5,508 |

* 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 2022

3. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2022 and as at the date of the last annual financial statements (30 June 2022).

As at 31 December 2022 (unaudited)

| | Retail HK\$'000 | Manufacturing HK\$'000 | Property investment HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------------|------------------------------------|-------------------|
| Segment assets | 342,028 | 2,104,658 | 761,032 | 3,207,718 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment receivables | | | | (1,187,692) |
| Corporate and other unallocated assets | | | | 127,170 |
| Total assets | | | | 2,147,196 |
| Segment liabilities | | | | |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment payables | 665,411 | 282,067 | 621,006 | 1,568,484 |
| Corporate and other unallocated liabilities | | | | (1,187,692) |
| | | | | 50 |
| Total liabilities | | | | 380,842 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. Operating Segment Information (continued)

As at 30 June 2022 (audited)

| | Retail HK\$'000 | Manufacturing HK\$'000 | Property investment HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------------|------------------------------------|-------------------|
| Segment assets | 359,072 | 2,157,276 | 762,144 | 3,278,492 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment receivables | | | | (1,191,311) |
| Corporate and other unallocated assets | | | | 128,885 |
| Total assets | | | | 2,216,066 |
| Segment liabilities | 673,081 | 347,740 | 620,344 | 1,641,165 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment payables | | | | (1,191,311) |
| Corporate and other unallocated liabilities | | | | 676 |
| Total liabilities | | | | 450,530 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

3. Operating Segment Information (continued)

Geographical information

The following table sets out information about the geographical location of the Group's revenue of continuing operations from external customers and the Group's non-current assets of continuing operations.

(a) *Revenue from external customers*

| | For the six months ended 31 December | |
|--|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Revenue | | |
| North America | 217,139 | 205,806 |
| Europe | 151,484 | 173,343 |
| Mainland China, Hong Kong, Macau and Taiwan | 358,227 | 409,318 |
| Other Asian countries | 202,620 | 113,785 |
| Others | 27,016 | 30,370 |
| | 956,486 | 932,622 |

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 2022

3. Operating Segment Information (continued)

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

| | As at 31 December 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|-------------------------------------|---|---|
| Mainland China, Hong Kong and Macau | 1,061,840 | 1,081,303 |

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 2022

4. Revenue, Other Income and Gains

Information about major customers

For the six months ended 31 December 2022, revenue derived from sales by the manufacturing segment to one major customer amounting to HK\$193,496,000 (unaudited) had accounted for over 10% of the Group's revenue from continuing operations, 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 2021, revenue derived from sales by the manufacturing segment to one major customer amounting to HK\$214,317,000 (unaudited) had accounted for over 10% of the Group's revenue from continuing operations, 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 | |
|--|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| <i>Revenue from contracts with customers</i> | 949,441 | 925,149 |
| <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 | 7,045 | 7,473 |
| | 956,486 | 932,622 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 150 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 | |
|-------------------------------------|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Net sample and material income, net | 1,365 | 4,164 |
| Interest income | 3,803 | 3,217 |
| Government grants | 3,424 | 4,863 |
| Exchange gain, net | 22,376 | – |
| Others | 942 | 1,677 |
| | 31,910 | 13,921 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

5. Profit Before Tax from Continuing Operations

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

| | For the six months ended 31 December | |
|--|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Cost of inventories sold | 642,310 | 673,887 |
| Employee benefit expense (including Directors' and chief executive's remuneration) | | |
| – Wages and salaries | 208,344 | 210,755 |
| – Pension scheme contributions | 13,775 | 13,965 |
| | 222,119 | 224,720 |
| Depreciation of items of property, plant and equipment | 16,566 | 16,959 |
| Amortization of right-of-use assets | 15,440 | 15,088 |
| Lease payments not included in the measurement of lease liabilities | 5,842 | 855 |
| Reversal of write-down of inventories to net realizable value | (9,355) | (8,763) |
| Auditors' remuneration | 950 | 900 |
| Exchange (gain)/loss, net | (22,376) | 11,054 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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% for the year ended 31 December 2022 (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit arising in Macau during the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2021: 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 2022.

The major components of income tax expense are as follows:

| | For the six months ended 31 December | |
|---|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Current – Hong Kong | | |
| Charge for the period | 24,842 | 1,081 |
| Current – Mainland China | | |
| Charge for the period | 8,506 | 10,101 |
| Current – Other regions | | |
| Charge for the year | 50 | 68 |
| Deferred tax | (2,310) | (674) |
| Total tax expense for the period | 31,088 | 10,576 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

7. A Discontinued Operation

On 3 November 2021, Sitoy International Limited, a subsidiary of the Company, as seller, and Ample Fame Investments Limited (“Ample Fame”), as purchaser, entered into a sales and purchase agreement (“Agreement”) in relation to the disposal of (the “Disposal”) the entire issued share capital of Viva China Premium Brands Limited (formerly known as “Sitoy AT Holding Company Limited”) and its subsidiaries (the “Target Group”). Since then, the Target Group had been accounted for as a discontinued operation. The Disposal was completed on 3 January 2022.

(a) The results of the Target Group for the six months ended 31 December 2021 are presented below:

| | For the six months ended 31 December |
|--|---|
| | 2021 HK\$'000 (Unaudited) |
| Revenue | 55,477 |
| Cost of sales | (14,608) |
| Expenses | (72,909) |
| Finance costs | (1,750) |
| Loss from a discontinued operation | (33,790) |
| Loss recognised on the remeasurement to fair value | (9,165) |
| Loss before tax from a discontinued operation | (42,955) |
| Income tax credit | 5,498 |
| Loss for the period from a discontinued operation | (37,457) |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

7. A Discontinued Operation (continued)

(b) The net cash flows incurred by the Target Group are as follows:

| | For the six months ended 31 December |
|---|---|
| | 2021 HK\$'000 (Unaudited) |
| Operating activities | (22,486) |
| Investing activities | (9,130) |
| Financing activities | 5,809 |
| Effect of foreign exchange rate changes | 473 |
| Net cash outflow | (25,334) |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

7. A Discontinued Operation (continued)

(c) Loss per share

| | For the six months ended 31 December |
|---|---|
| | 2021 (Unaudited) |
| Basic and diluted, from a discontinued operation (HK cents) | (3.88) |

The calculations of basic and diluted loss per share from a discontinued operation are based on:

| | For the six months ended 31 December |
|--|---|
| | 2021 (Unaudited) |
| Loss attributable to ordinary equity holders of the parent from a discontinued operation (HK\$'000) | (37,340) |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation | 962,702,000 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

8. Dividends

| | For the six months ended 31 December | |
|--|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Dividends on ordinary shares declared and paid during the six-month period: | | |
| Special dividend for the year ended 30 June 2022: HK2 cents (year ended 30 June 2021: HK1 cent) | 19,309 | 9,654 |
| Final dividend for the year ended 30 June 2022: HK4 cents (year ended 30 June 2021: nil) | 38,618 | – |
| Dividends on ordinary shares declared (not recognized as a liability as at 31 December): interim dividend – HK4 cents per ordinary share (six months ended 31 December 2021: HK2 cents) | 38,618 | 19,309 |

On 27 February 2023, the Board of Directors of the Company resolved to declare an interim dividend of HK4 cents for the six months ended 31 December 2022 (six months ended 31 December 2021: HK2 cents).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the six months ended 31 December 2022 and 2021 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 962,702,000 (six months ended 31 December 2021: 962,702,000) in issue excluding awarded shares during the six months ended 31 December 2022.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 31 December 2022 and 2021 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 2022 and 2021, 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 2022, 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 2021: nil).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Company (continued)

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

| | For the six months ended 31 December | |
|---|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| <i>Earnings</i> | | |
| Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation: | | |
| From continuing operations | 106,103 | 43,995 |
| | For the six months ended 31 December | |
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Basic: | | |
| Earnings per share from the continuing operations (HK cents) | 11.02 | 4.57 |
| Diluted: | | |
| Earnings per share from the continuing operations (HK cents) | 10.99 | 4.57 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Company (continued)

| | For the six months ended 31 December | |
|--|---|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| <i>Number of shares</i> | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 962,702,000 | 962,702,000 |
| Effect of dilution – weighted average number of ordinary shares* | 2,728,000 | – |
| Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation | 965,430,000 | 962,702,000 |

* At the date of approval of these interim condensed consolidated financial statements, the Company had 2,728,000 treasury shares held under the share award scheme that had dilutive effect.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

10. Property, Plant and Equipment

During the six months ended 31 December 2022, the Group acquired property, plant and equipment with a cost of approximately HK\$6,838,000 (six months ended 31 December 2021: HK\$5,508,000).

During the six months ended 31 December 2022, depreciation for property, plant and equipment was HK\$16,566,000 (six months ended 31 December 2021: HK\$16,959,000).

During the six months ended 31 December 2022, property, plant and equipment with a net book value of HK\$79,000 (six months ended 31 December 2021: HK\$1,280,000) were disposed, resulting in a net loss on disposal of HK\$28,000 (six months ended 31 December 2021: loss of HK\$940,000).

11. Investment Properties

| | As at 31 December 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|---|---|---|
| Carrying amount at beginning of the period/year | 699,756 | 699,956 |
| Fair value loss on investment properties | (6,856) | (200) |
| Carrying amount at end of the period/year | 692,900 | 699,756 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

11. 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 | 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 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

12. Trade Receivables

| | As at 31 December 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|-------------------|---|---|
| Trade receivables | 354,056 | 389,331 |
| Impairment | (6,624) | (6,457) |
| | 347,432 | 382,874 |

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 150 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.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|----------------|---|---|
| Within 90 days | 310,998 | 345,957 |
| 91 to 180 days | 29,682 | 27,393 |
| Over 180 days | 6,752 | 9,524 |
| | 347,432 | 382,874 |

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

| | Six months ended 31 December 2022 HK\$'000 (Unaudited) | Year ended 30 June 2022 HK\$'000 (Audited) |
|-----------------------------|---|--|
| At beginning of period/year | 6,457 | 3,718 |
| Impairment losses, net | 167 | 3,728 |
| Disposal of a subsidiary | – | (989) |
| At the end of period/year | 6,624 | 6,457 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 2022 (Unaudited)

| | Current | Past due | | | Total |
|----------------------------------|---------|-----------------------|------------------|------------------|---------|
| | | Less than 3 months | 3 to 6 months | Over 6 months | |
| Expected credit loss rate | 0.63% | 1.63% | 13.36% | 31.91% | 1.87% |
| Gross carrying amount (HK\$'000) | 271,312 | 70,792 | 232 | 11,720 | 354,056 |
| Expected credit loss (HK\$'000) | 1,699 | 1,154 | 31 | 3,740 | 6,624 |

As at 30 June 2022 (Audited)

| | Current | Past due | | | Total |
|----------------------------------|---------|-----------------------|------------------|------------------|---------|
| | | Less than 3 months | 3 to 6 months | Over 6 months | |
| Expected credit loss rate | 0.56% | 1.41% | 10.86% | 27.27% | 1.66% |
| Gross carrying amount (HK\$'000) | 297,026 | 76,790 | 3,091 | 12,424 | 389,331 |
| Expected credit loss (HK\$'000) | 1,653 | 1,081 | 336 | 3,387 | 6,457 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

13. Interest-Bearing Bank Borrowings/Leased Liabilities

| | As at 31 December 2022 (Unaudited) | | | As at 30 June 2022 (Audited) | | |
|----------------------|---------------------------------------|-----------|----------|---------------------------------|-----------|----------|
| | Effective interest rate (%) | Maturity | HK\$'000 | Effective interest rate (%) | Maturity | HK\$'000 |
| Current | | | | | | |
| Lease liabilities | 0.78-5.00 | 2023 | 24,172 | 0.78-5.00 | 2022 | 23,866 |
| Bank loans – secured | 1.7 | 2023 | 20,000 | 1.000-2.7410 | On demand | 62,544 |
| | | | 44,172 | | | 86,410 |
| Non-current | | | | | | |
| Lease liabilities | 0.78-5.00 | 2024-2026 | 28,400 | 0.78-5.00 | 2023-2026 | 22,186 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

13. Interest-Bearing Bank Borrowings/Leased Liabilities (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 2022 | | As at 30 June 2022 | |
|------------------------------|------------------------|----------|--------------------|----------|
| | (Unaudited) | | (Audited) | |
| | Maturity | HK\$'000 | Maturity | HK\$'000 |
| Bank loans – secured | 2023 | 20,000 | 2022-2023 | 62,544 |
| Analyzed into: | | | | |
| Bank loans repayable: | | | | |
| Within one year or on demand | | 20,000 | | 62,544 |
| | | 20,000 | | 62,544 |

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

14. Trade and Bills Payables

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

| | As at 31 December 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|-----------------|---|---|
| Within 90 days | 137,279 | 208,080 |
| 91 to 180 days | 23,589 | 13,856 |
| 181 to 365 days | 1,512 | 2,739 |
| Over 365 days | 990 | 581 |
| | 163,370 | 225,256 |

The trade and bills payables are non-interest-bearing and are normally to be settled within 90 days. The carrying amounts of the trade and bills payables approximate to their fair values.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

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 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|--|---|---|
| Issued and fully paid: 962,702,000 (30 June 2022: 962,702,000) ordinary shares | 96,270 | 96,270 |
| Treasury shares: 2,728,000 (30 June 2022: 2,728,000) ordinary shares (note 17) | 273 | 273 |
| | 96,543 | 96,543 |

16. Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2022 (30 June 2022: nil).

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2022

17. Share Award Scheme

In July 2018, 9,000,000 treasury shares were promised to be granted to nine grantees including an executive Director 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. As the vesting condition of second tranche was fulfilled by the grantees, 3,000,000 treasury shares were vested to the grantees on 12 July 2020. The vesting condition of third tranche was not fulfilled by the grantees because of the market conditions, and as such, 3,208,000 treasury shares were not vested to the grantees on 12 July 2021.

The Group did not recognize an expense of for the six months ended 31 December 2022 (for the six months ended 31 December 2021: nil).

At the date of approval of these interim condensed consolidated financial statements, the Company had 2,728,000 treasury shares held under the share award scheme, which represented approximately 0.28% 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 2022

18. Related Party Transactions

- (a) 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 2022:

| | As at 31 December 2022 HK\$'000 (Unaudited) | As at 30 June 2022 HK\$'000 (Audited) |
|---|---|---|
| Purchase of a right-of-use asset from Maxon Properties Limited | – | 6,739 |

On 1 June 2021, Sito (Hong Kong) Handbag Factory Limited (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the renewal tenancy agreement with Maxon Properties Limited (as landlord), a company incorporated in Hong Kong with limited liability which is directly wholly-owned by Mr. Yeung Michael Wah Keung, an executive director of the Company, in relation to the lease of the residential unit for a term of three years commencing on 1 July 2021, at a monthly rental of HK\$200,000 per month (inclusive of government rent, government rates and management fees). In accordance with IFRS 16 Lease, the Company had recognised right-of-use assets of approximately HK\$3,369,000 as at 31 December 2022.

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 2022

18. Related Party Transactions (continued)

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

| | For the six months ended 31 December | |
|--|---|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Short term employee benefits | 5,531 | 5,683 |
| Post-employment benefits | 54 | 78 |
| Total compensation paid to key management personnel | 5,585 | 5,761 |

19. Events After the Reporting Period

There are no material events after the reporting period which could influence the economic decisions that users make on the basis of the financial statements.

20. 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 27 February 2023.