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AMEDEO TESTONI  
Bologna 1929

# 2021 INTERIM REPORT SIToy



時代集團控股有限公司  
SIToy GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1023

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— FURNITURE & JEWELRY —

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## Corporate Information

### Board of Directors

#### Executive Directors

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

#### Independent Non-executive Directors

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

### Authorised Representatives

Mr. Yeung Wo Fai  
Mr. Yeung Andrew Kin

### Company Secretary

Mr. Wong Yu Kit

### Registered Office

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

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

9th Floor, Sitoy Tower  
164 Wai Yip Street, Kwun Tong  
Kowloon, Hong Kong

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

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

### Board Committees

#### Audit Committee

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

#### Remuneration Committee

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

#### Nomination Committee

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

### Legal Adviser as to Hong Kong Laws

Woo Kwan Lee & Lo

### Principal Bankers

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

### Cayman Islands Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited  
Royal Bank House – 3rd Floor  
24 Shedden Road  
P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands  
(changed to Suite 3204, Unit 2A,  
Block 3, Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100,  
Cayman Islands with  
effect from 1 March 2021)

## Corporate Information

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

*AMEDEO TESTONI SS21 Collection*



*Tuscan's SS21 Collection*

## 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 2020 (the “Period”).

### Business Review

#### **Retail business**

Revenue generated from this segment decreased by approximately 17.5% period to period to approximately HK\$252.4 million for the Period and incurred segment loss before tax of approximately HK\$22.6 million when compared to the same period in the previous year which recorded a loss before tax of approximately HK\$14.7 million. It is mainly due to weaker consumer sentiment caused by the global COVID-19 outbreak, and the retail business has been heavily disrupted due to the quarantine and other travel restriction measures implemented by different countries or areas, such as, Europe, the PRC, Hong Kong, Macau, Taiwan, Japan and South Korea, where our core retail business is located.

In order to mitigate the impact arising from various challenges, the Group has adopted various immediate measures, making an all-out effort to reduce costs in order to preserve working capital, reviewing the current point-of-sales network, improving the organizational structure and cost structure, streamlining processes with the aim of raising operational efficiency, maintaining the Group’s strength for its long term development and enabling the Group to get through this difficult moment. The Group will also remain cautious and agile in business operation and preserve liquidity for the situation to stabilise.

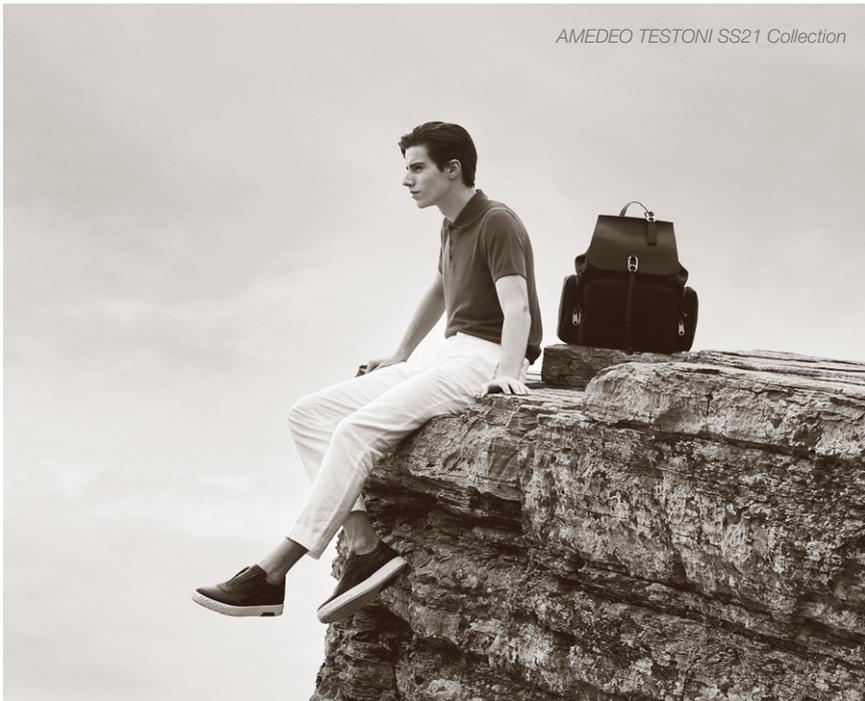
The Group operated five brands as at 31 December 2020. TUSCAN’S and Fashion & Joy are self-owned brands of the Group. TUSCAN’S is a brand of high quality handbags originated in Italy, while Fashion & Joy is a self-developed brand focusing on stylish travel luggage and business accessories designed and 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 and Hong Kong and further acquired A. Testoni S.p.A. and its subsidiaries, which owns the century-old Italian luxury leader label a.testoni and its diffusion line i29 in late 2018. The acquisition further enhanced the Group’s retail network covering Hong Kong, mainland China, Taiwan, Southeast Asia, Japan and Europe.

## Management Discussion and Analysis

On the digital front, the Group continued to strengthen its e-commerce development with most of its brands already available on Tmall and JD.com or their own brand sites. It is expected that e-commerce platforms will become more and more popular globally under the current situation. During the Period, the Group worked with certain key opinion leaders and entered into the live broadcast sales channel, like Tiktok and Tmall. In addition, the Group had successfully built up its own live broadcast sales team with satisfactory results.

### Manufacturing business

During the Period, the Group's purchase orders received from its external customers have decreased by approximately 43.6% when compared to the same period in the previous year. Since early 2020, due to global COVID-19 outbreak, customers, especially customers from Europe and North America markets, were more cautious when placing orders and the volume of each order was lower than before, or some even cancelled and suspended the orders. The manufacturing business has generated segment revenue from external customers of approximately HK\$471.3 million with segment loss before tax of approximately HK\$44.2 million for the Period.



## Management Discussion and Analysis

In response to the impact of the global COVID-19 outbreak, the following strategies were adopted by the Group:

- (1) **Market Diversification:** more than three years ago, we began to diversify our market reach. Currently, the proportion of revenue from North America, Europe and Asian markets are more evenly distributed;
- (2) **Maintaining Our Core Competitiveness:** with higher level of craftsmanship and reliable supply chain management, we are able to provide top quality products and credibility to our customers; and
- (3) **Production Flexibilities:** with our different product plants in the PRC, we are able to manage our production lines to fit various production requirements.

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, which was acquired through the acquisition of A. Testoni S.p.A. and its subsidiaries, 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\$3.8 million during the Period as a result of net fair value loss on the investment properties of approximately HK\$7.4 million.

## Management Discussion and Analysis

### Product Research, Development and Design

The in-house Creative Centre and R&D Centre of the Group offer customers one-stop design, research, development and manufacturing solutions, which help the Group serve its customers in response to fast changing consumer preferences and fashion trends as well as to develop and manufacture products with complex designs. By offering customers value-added services and high level of craftsmanship, the Group will strengthen its competitive edge in the industry, which in turn will attract and retain leading international and mainland Chinese brands of high-end and luxury products as its customers. In the future, the Group shall source high quality raw materials at competitive prices, and continue to optimise and streamline production procedures to boost competitiveness of the Group and satisfy brand customers' demands. We will also strengthen our Original Design Manufacturing offerings to combine our well-proven craftsmanship and services with cutting-edge handbag and footwear designs in order to attract more brand customers.

## Management Discussion and Analysis

### Prospect

#### Retail business

The acquisition of A. Testoni S.p.A. and its subsidiaries presented a success in the Group's strategy in expanding its presence in the tier-one world designer market segment that has taken the Group's retail business operation to the next level. The Group will continue to consolidate this success and enhance products and operations of a. testoni, albeit at a slower pace in response to the current difficult environment. We will also seek to optimize our store locations in shopping malls of higher traffic flow, negotiate better terms with landlords for all our brands, and close stores with low productivity. In light of the headwind of the retail business environment caused by the global COVID-19 outbreak, we will remain cautious and agile in business operation and preserve liquidity for the situation to stabilise.



*F&J SS20 Collection*

The development of the e-commerce business is running to take online orders from customers. The Group will further strengthen online sales and facilitate the development of a new retail model with integrated online to offline (O2O) sales by presenting and delivering its products to its customers through different platforms and channels through broadcast sales. The Group will continue to develop and explore different new sales channels.

As a brand operator, the Group will continue to invest in the enhancement of product design and development.

## Management Discussion and Analysis

### Manufacturing business

The slow down in global economy and the outbreak of COVID-19 globally have created more uncertainties and volatility, and keener competition is expected in the manufacturing industry. Therefore, the coming six months of this fiscal year will be full of challenges. The Group will continue to strengthen its ability to meet customers' diversified requirements, leveraging our extensive experience and outstanding craftsmanship in the manufacturing, design, research and development of handbags, small leather goods, business and travel goods.

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 enhance our competitiveness.

The Group is now experiencing the most challenging situation, however, we expect that the manufacturing business will start to grow gradually in second half year of 2021.



*Cole Haan SS21 Collection*

## Management Discussion and Analysis

### **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 decreased by approximately 36.4% to approximately HK\$730.7 million for the six months ended 31 December 2020 from approximately HK\$1,148.9 million for the six months ended 31 December 2019. This decrease was primarily due to the decrease in demand from the brand customers in the manufacturing business and retail business.

### **Cost of sales**

Cost of sales of the Group decreased by approximately 36.4% to approximately HK\$517.5 million for the six months ended 31 December 2020 from approximately HK\$813.9 million for the six months ended 31 December 2019. The decrease in cost of sales was in line with the decrease in revenue.

### **Gross profit and gross profit margin**

Gross profit decreased by approximately 36.4% to approximately HK\$213.2 million for the six months ended 31 December 2020 from approximately HK\$335.0 million for the six months ended 31 December 2019. Gross profit margin remained stable at approximately 29.2% for the six months ended 31 December 2020 and 2019.

### **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately 6.1% to approximately HK\$119.6 million for the six months ended 31 December 2020 from approximately HK\$127.3 million for the six months ended 31 December 2019. The decrease was primarily attributable to the reduction of certain marketing activities of the retail business.

### **Administrative expenses**

Administrative expenses decreased by approximately 14.7% to approximately HK\$132.2 million for the six months ended 31 December 2020 from approximately HK\$154.9 million for the six months ended 31 December 2019 due to the tight cost control policies implemented.

## Management Discussion and Analysis



### **Other expenses**

Other expenses increased from approximately HK\$4.8 million for the six months ended 31 December 2019 to approximately HK\$60.6 million for the six months ended 31 December 2020. It was mainly because of the appreciation of Renminbi against HK\$ resulting in a net exchange loss of approximately HK\$51.0 million (mostly unrealised) and net fair value loss on the investment properties of approximately HK\$7.4 million which were included in other expenses.

### **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 2020 and 2019 of the assessable profits arising in Hong Kong during the relevant periods.

## Management Discussion and Analysis

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 2020 (six months ended 31 December 2019: nil).

Italy, Taiwan and Japan Income Tax has been provided at the rate of 31.4%, 15% and 43% of the assessable profits arising in the respective regions for the six months ended 31 December 2020 and 2019. Korea and USA Income Tax has not been provided for as the Group has no assessable profit arising in the related regions during the six months ended 31 December 2020 (six months ended 31 December 2019: 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 Group recorded loss before tax for the six months ended 31 December 2020 while the effective tax rate for 2019 was approximately 35.9%.

### **Loss/profit for the Period**

The Group recorded loss for the period of approximately HK\$89.9 million for the six months ended 31 December 2020 when compared to the profit for the same period in 2019 of approximately HK\$42.2 million. It is mainly due to 1) the global COVID-19 outbreak since January 2020, and the recent surge in the number of COVID-19 cases reflects that the situation will remain volatile in the near future, which has dealt a strong blow to our manufacturing and retail businesses and 2) the fair value loss recorded in the property investment business due to the downward movement in the Hong Kong commercial property market.

## Management Discussion and Analysis

**Investment properties**

Details of investment properties of the Group with carrying amounts of approximately HK\$704.0 million and HK\$711.4 million as at 31 December 2020 and 30 June 2020 respectively are as follows:

***As at 31 December 2020 and 30 June 2020***

Property	Address	Use	Lease term
Ground to 6th and 11th to 20th Floor, Sityo Tower	Ground to 6th and 11th to 20th Floor, Sityo 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 2020, the fair value of the remaining floors of Property 1 was approximately HK\$608.8 million, which represented approximately 25.5% of the Group's total assets. During the six months ended 31 December 2020, the remaining floors of Property 1 had generated total rental income of approximately HK\$5.9 million. Fair value loss of approximately HK\$6.4 million was recognized during the six months ended 31 December 2020 (2019: 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 were transferred to investment properties. The Property 2 held by the Group has a total gross floor area of approximately 9,710 square feet and is held for rental income and capital appreciation purposes.

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

## Management Discussion and Analysis

### Right-of-use assets

As at 31 December 2020, right-of-use assets decreased from approximately HK\$126.8 million as at 30 June 2020 to approximately HK\$72.0 million. It was mainly because the Group exercised the early termination notice clause in the tenancy agreements to close certain unprofitable retail shops and thus were excluded from the right-of-use assets.

### Capital expenditure

For the six months ended 31 December 2020, the capital expenditure of the Group amounted to approximately HK\$6.7 million, primarily related to the expansion of retail business and upgrade of manufacturing facilities.

### Significant investments

The Group had no significant investments held during the Period.

### Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 21 December 2020, Sitoy Retailing Investment Company Limited (“Sitoy Retailing Investment”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Oasis Fashion Holdings Limited (“Oasis Fashion”), pursuant to which Sitoy Retailing Investment agreed to acquire, and Oasis Fashion agreed to sell, 25% equity interest in Sitoy Brand Management Company Limited (“SBM”) together with its subsidiaries at a consideration of HK\$800,000. Upon completion, SBM has become an indirect wholly owned subsidiary of the Company.

SBM was previously held as to 75% by Sitoy Retailing Investment and 25% by Oasis Fashion. Therefore, Oasis Fashion is a connected person of the Company by virtue of being a substantial shareholder of SBM. The acquisition constitutes a de minimis connected transaction which is fully exempt from reporting and announcement requirements under Rule 14A.76(1) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Other than disclosed above, the Group had no other material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period.

## Management Discussion and Analysis

### Treasury policy

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

### Liquidity and financial resources

The Group continues to adopt a prudent approach in managing its financial resources. The Group's cash and cash equivalents as at 31 December 2020 amounted to approximately HK\$461.8 million (30 June 2020: approximately HK\$517.8 million) which are mainly denominated in Hong Kong dollars, Renminbi, Euro and United States dollars. The gearing ratio of the Group as at 31 December 2020 was approximately 4.4% (30 June 2020: 3.9%).

### 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 2020, 63.4% (30 June 2020: 71.3%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the transaction, whilst approximately 74.5% (30 June 2020: 71.5%) of costs were denominated in the units' functional currency. As at 31 December 2020, the Group had no foreign exchange forward contracts and other financial derivatives outstanding (30 June 2020: nil).

## Management Discussion and Analysis

### **Pledge of Assets**

As at 31 December 2020, approximately HK\$24.8 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2020: approximately HK\$23.5 million).

As at 31 December 2020, secured bank borrowings were approximately HK\$137.8 million (30 June 2020: HK\$200.8 million).

### **Inventory turnover days**

Inventory turnover days increased to 147 days for the six months ended 31 December 2020 from 114 days for the year ended 30 June 2020. The increase in inventory turnover days was mainly due to the slow down in sales contributions from both manufacturing and retail businesses.

### **Trade receivables turnover days**

Trade receivables turnover days slightly decreased to 74 days for the six months ended 31 December 2020 compared with 76 days for the year ended 30 June 2020. The Group did not experience any significant credit risk due to strict credit control policies.

### **Trade payables turnover days**

Trade payables turnover days increased to 80 days for the six months ended 31 December 2020 compared with 63 days for the year ended 30 June 2020. It was due to the higher balance of trade payables as at 31 December 2020.

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

As at 31 December 2020, 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 2020.

## Management Discussion and Analysis

### Employees

As at 31 December 2020, the Group had about 5,000 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the Group are subject to social insurance, provident housing fund and certain other employee benefits in accordance with 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 approved on 15 November 2011 and a share award scheme approved on 12 July 2018 for the purpose of recognising employees' contribution. Details have been set out in the section headed "Share Option Scheme" and "Share Award Scheme" below.

### Dividend, Record and Payment Dates

The Directors have declared an interim dividend of HK2 cents (six months ended 31 December 2019: HK2 cents) per share to the shareholders for the six months ended 31 December 2020 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 Friday, 9 April 2021. It is expected that the interim dividend will be paid on or before Friday, 30 April 2021.

## Management Discussion and Analysis

### Closure of Register of Members

The register of members of the Company will be closed on Thursday, 8 April 2021 and Friday, 9 April 2021, 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 Wednesday, 7 April 2021.



## 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 2020, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

#### (a) Long positions

Name of Director	Capacity/ Nature of interest	Number of ordinary shares of the Company interested	Number of underlying shares of the Company interested pursuant to share options	Aggregate number of shares of the Company interested	Approximate percentage of the Company's issued shares
Mr. Yeung Michael Wah Keung	Beneficial owner/ personal interest	437,720,000	-	437,720,000	45.34%
Mr. Yeung Wo Fai	Beneficial owner/ personal interest	236,070,000	-	236,070,000	24.45%
Mr. Yeung Andrew Kin	Beneficial owner/ personal interest	10,500,000	-	10,500,000	1.09%
Dr. Lau Kin Shing, Charles	Beneficial owner/ personal interest	2,417,000 (Note)	1,544,000	5,784,000	0.6%
	Beneficiary of a trust	1,823,000 (Note)	-		

Note: 2,646,000 award shares were granted to Dr. Lau Kin Shing, Charles ("Dr. Lau") on 12 July 2018 (the "Grant Date"). Subject to the condition that Dr. Lau remains in employment with the Group, (i) 823,000 award shares were vested on 12 July 2019 being the first anniversary of the Grant Date; (ii) 882,000 award shares were vested on 12 July 2020 being the second anniversary of the Grant Date; and (iii) 941,000 award shares will be vested on 12 July 2021 being the third anniversary of the Grant Date.

## 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 2020, 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 2020, 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%

Save as disclosed above, as at 31 December 2020, 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 2020.

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 2020 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 2020.

## Corporate Governance and Other Information

### **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 2020 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 2020 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 2020.

### **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 2020.

### **Update on Directors' Information**

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

Dr. Lau Kin Shing, Charles was appointed as an independent non-executive director of KOS International Holdings Limited (stock code: 8042), a company whose shares are listed on GEM of the Stock Exchange, with effect from 1 February 2021.

## Corporate Governance and Other Information

## Share Option Scheme

A share option scheme was approved and adopted by shareholders of the Company on 15 November 2011 (the "Share Option Scheme") to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants of the scheme. During the six months ended 31 December 2020, share options to subscribe for 4,500,000 ordinary shares of HK\$0.10 each of the Company were outstanding as at 31 December 2020.

As at 31 December 2020, share options to subscribe for 4,500,000 ordinary shares of HK\$0.10 each of the Company have been vested and are issuable for the outstanding share options granted under the Share Option Scheme.

Details of the movements of the share options under the Share Option Scheme during the six months ended 31 December 2020 are as follows:

Grantees	Date of Grant	Exercise Price	Exercise Period	Number of Share Options					Balance as at 31 December 2020
				Balance as at 1 July 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
<i>Directors:</i>									
Dr. Lau Kin Shing, Charles	21 September 2015	HK\$3.84	21 September 2016 to 20 September 2025 (i)	1,544,000	-	-	-	-	1,544,000
Sub-total:				1,544,000	-	-	-	-	1,544,000
Eligible employees (i)	21 September 2015	HK\$3.84	21 September 2016 to 20 September 2025 (i)	2,956,000	-	-	-	-	2,956,000
Grand Total:				4,500,000	-	-	-	-	4,500,000

## Notes:

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

## Corporate Governance and Other Information

- (ii) The share options granted to the above Director and eligible employees shall be vested in three equal tranches subject to certain vesting conditions as set out in their respective offer letters, including, among others, financial targets of the Group. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting and exercise periods of the share options are as follows:

Share options	Vesting period	Exercise period
One-third of share options (rounded up to the nearest 1,000 share options)	21 September 2015 to 20 September 2016	21 September 2016 to 20 September 2025
One-third of share options (rounded up to the nearest 1,000 share options)	21 September 2015 to 20 September 2017	21 September 2017 to 20 September 2025
Remaining share options	21 September 2015 to 20 September 2018	21 September 2018 to 20 September 2025

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

Except as disclosed above, no share option lapsed or was granted, exercised or cancelled under the Share Option Scheme during the six months ended 31 December 2020.

### Share Award Scheme

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

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

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

## Corporate Governance and Other Information

In 2018, 9,000,000 award shares had been granted on 12 July 2018 to certain selected participants of the Group. Among the 9,000,000 award shares granted, a total of 2,646,000 award shares were granted to Dr. Lau Kin Shing, Charles (“Dr. Lau”), being an 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 and 882,000 award shares were vested on 12 July 2020. As Dr. Lau is an executive Director, he is a connected person of the Company and accordingly, the granting of the award shares to Dr. Lau constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Further details of the Share Award Scheme are disclosed in note 16 to the interim condensed consolidated financial statements.

### **Board of Directors**

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

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

**Yeung Michael Wah Keung**  
*Chairman*

Hong Kong, 26 February 2021

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2020

				<b>For the six months ended 31 December</b>		
				2020	2019	
				Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>REVENUE</b>				4	730,663	1,148,921
Cost of sales					(517,500)	(813,917)
Gross profit					213,163	335,004
Other income and gains				4	22,543	24,054
Selling and distribution expenses					(119,561)	(127,288)
Administrative expenses					(132,155)	(154,944)
Impairment losses on financial assets					(322)	(626)
Other expenses					(60,611)	(4,841)
Financial costs					(2,315)	(5,499)
<b>(LOSS)/PROFIT BEFORE TAX</b>				5	(79,258)	65,860
Income tax expense				6	(10,594)	(23,666)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>					(89,852)	42,194
Attributable to:						
Owners of the Company					(87,837)	45,984
Non-controlling interests					(2,015)	(3,790)
					(89,852)	42,194
<b>(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>						
Basic						
– For (loss)/profit for the period (HK cents)				8	(9.13)	4.79
Diluted						
– For (loss)/profit for the period (HK cents)				8	(9.13)	4.78

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

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2020

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	(89,852)	42,194
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Exchange differences on translation of foreign operations	98,405	(23,293)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	98,405	(23,293)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	8,553	18,901
Attributable to:		
Owners of the Company	10,568	22,691
Non-controlling interests	(2,015)	(3,790)
	8,553	18,901

# Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	370,852	374,739
Investment properties	10	703,956	711,356
Right-of-use assets		71,964	126,776
Other intangible assets		7,013	8,964
Debt investments designated at fair value through other comprehensive income		10,355	9,526
Deferred tax assets		32,316	28,969
Other non-current assets		16,008	13,539
<b>Total non-current assets</b>		<b>1,212,464</b>	<b>1,273,869</b>
<b>CURRENT ASSETS</b>			
Inventories		276,207	280,091
Trade receivables	11	318,170	271,064
Prepayments, other receivables and other assets		93,306	85,916
Pledged deposits		24,823	23,523
Cash and cash equivalents		461,760	517,822
<b>Total current assets</b>		<b>1,174,266</b>	<b>1,178,416</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	12	137,794	200,789
Trade payables	13	193,212	133,618
Other payables and accruals		120,414	118,838
Lease liabilities	12	44,150	55,190
Tax payable		20,080	16,589
<b>Total current liabilities</b>		<b>515,650</b>	<b>520,024</b>
<b>NET CURRENT ASSETS</b>		<b>658,616</b>	<b>658,392</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,871,080</b>	<b>1,932,261</b>

## Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2020

		As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	12	49,109	89,727
Deferred tax liabilities		6,808	7,293
Deferred income		2,710	2,729
<b>Total non-current liabilities</b>		<b>58,627</b>	<b>99,749</b>
<b>Net assets</b>		<b>1,812,453</b>	<b>1,832,512</b>
<b>EQUITY</b>			
Share capital	14	96,543	96,543
Treasury shares	14	(6,374)	(13,385)
Reserves		1,714,104	1,771,904
<b>Equity attributable to owners of the Company</b>		<b>1,804,273</b>	<b>1,855,062</b>
Non-controlling interests		8,180	(22,550)
<b>Total equity</b>		<b>1,812,453</b>	<b>1,832,512</b>

**Yeung Wo Fai**  
*Director*

**Yeung Andrew Kin**  
*Director*

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

	Attributable to owners of the Company													Total equity
	Share capital	Treasury shares	Share premium account <sup>†</sup>	Share option/ <sup>‡</sup> reserve <sup>§</sup>	Merger reserve <sup>¶</sup>	Statutory reserve fund <sup>**</sup>	Asset revaluation reserve <sup>††</sup>	Other reserve <sup>†††</sup>	Comprehensive income <sup>††††</sup>	Exchange fluctuation reserve <sup>†††††</sup>	Retained profits <sup>††††††</sup>	Non-controlling interests		
	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 2020	96,543	(13,386)	923,073	14,999	4,030	76,169	24,688	-	651	(151,530)	679,824	1,855,062	(22,550)	1,832,512
Loss for the period	-	-	-	-	-	-	-	-	-	-	(67,637)	(67,637)	(2,015)	(69,652)
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	98,405	-	98,405	-	98,405
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	98,405	(67,637)	10,568	(2,015)	8,553
Acquisition of a non-controlling interest	-	-	-	-	-	-	-	(33,545)	-	-	-	(33,545)	32,745	(800)
Equity-settled share award arrangement	-	-	-	1,069	-	-	-	-	-	-	-	1,069	-	1,069
Equity-settled share award vested	-	7,011	(1,011)	(6,000)	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	(28,681)	(28,681)	-	(28,681)
Transfer from retained profits	-	-	-	-	-	2,785	-	-	-	-	(2,785)	-	-	-
At 31 December 2020 (unaudited)	96,543	(6,374)	922,062	10,068	4,030	78,954	24,688	(33,545)	651	(53,125)	760,321	1,804,273	8,180	1,812,453

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

	Attributable to owners of the Company												Total equity
	Share capital	Treasury shares	Share premium account*	Share option/ award reserve*	Merger reserve*	Statutory reserve fund*	Asset revaluation reserve*	Share through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2019	96,543	(19,910)	924,014	15,444	4,030	69,984	24,688	307	(107,031)	1,057,230	2,065,299	(5,208)	2,060,091
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	45,984	45,984	(3,790)	42,194
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(23,293)	-	(23,293)	-	(23,293)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	(23,293)	45,984	22,691	(3,790)	18,901
Equity-settled share award arrangement	-	-	-	2,569	-	-	-	-	-	-	2,569	-	2,569
Equity-settled share award vested	-	6,325	(941)	(5,594)	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(19,194)	(19,194)	-	(19,194)
Transfer from retained profits	-	-	-	-	-	4,442	-	-	-	(4,442)	-	-	-
At 31 December 2019 (unaudited)	96,543	(13,365)	923,073	12,429	4,030	74,426	24,688	307	(130,324)	1,079,578	2,071,365	(8,998)	2,062,367

\* These reserve accounts comprise the consolidated reserves of HK\$1,714,104,000 (31 December 2019: HK\$1,988,207,000) in the consolidated statement of financial position.

\*\* On 21 December 2020, the Group purchased a 25% equity interest in Sitoy Brand Management Company Limited for a consideration of HK\$800,000 increasing the equity interest held by the Group from 75% to 100%. The amount recognized in equity represented the excess of the consideration paid over the carrying amount of the non-controlling interests.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	(79,258)	65,860
Total adjustments	26,958	90,658
Total working capital adjustments	85,365	24,515
Cash generated from operations	33,065	181,033
Profits tax paid	(5,056)	(19,983)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>28,009</b>	<b>161,050</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of items of property, plant and equipment	258	50
Proceeds from disposal of debt investments designated at fair value through other comprehensive income	–	185
Purchase of items of property, plant and equipment	(6,702)	(12,285)
Purchases of other intangible assets	–	(1,604)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(6,444)</b>	<b>(13,654)</b>

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New interest-bearing bank borrowings raised	–	161,472
Repayment of interest-bearing bank borrowings	(60,016)	(157,922)
Dividends paid	(28,881)	(19,194)
Interest paid	(1,192)	(3,539)
Principal portion of lease payments	(24,196)	(24,794)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(114,285)</b>	<b>(43,977)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(92,720)</b>	<b>103,419</b>
Cash and cash equivalents at beginning of the period	517,822	406,779
Effect of foreign exchange rate changes, net	36,658	(5,995)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>461,760</b>	<b>504,203</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 1. Corporate Information

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

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

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

## 2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2020 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements 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 2020.

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. 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 2020

### 2.2 Changes in Accounting Policies and Disclosures (continued)

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

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
  
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 31 December 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 July 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the six months ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately HK\$4,912,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and credited to profit or loss for the six months ended 31 December 2020.

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 2.2 Changes in Accounting Policies and Disclosures (continued)

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

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial statements.

### 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 loss/profit, which is a measure of adjusted loss/profit before tax. The adjusted loss/profit before tax is measured consistently with the Group's loss/profit before tax except corporate and unallocated expenses are excluded from this measurement.

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

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

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

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2020

3. Operating Segment Information (continued)

**For the six months ended 31 December 2020 (unaudited)**

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	252,399	471,264	7,000	730,663
Intersegment sales	–	94,403	1,536	95,939
	252,399	565,667	8,536	826,602
Reconciliation:				
Elimination of intersegment sales	–	(94,403)	(1,536)	(95,939)
Total revenue				730,663
<b>Segment results</b>				
	(22,608)	(44,227)	(3,757)	(70,592)
<i>Reconciliation:</i>				
Corporate and other unallocated expenses, net				(8,666)
Loss before tax				(79,258)
<b>Other segment information:</b>				
Depreciation of items of property, plant and equipment	4,022	14,229	–	18,251
Unallocated depreciation of items of property, plant and equipment				1,274
				19,525
Amortization of right-of-use assets	25,581	2,682	–	28,263
Amortization of intangible assets (Reversal of write-down)/ write-down of inventories to net realizable value	876	–	–	876
	(27,583)	1,807	–	(25,776)
Capital expenditure*	5,821	875	–	6,696

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 3. Operating Segment Information (continued)

**For the six months ended 31 December 2019 (unaudited)**

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

\* 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 2020

## 3. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2020 and as at the date of the last annual financial statements (30 June 2020).

**As at 31 December 2020 (unaudited)**

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment assets</b>	471,541	2,131,172	746,532	3,349,245
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,095,624)
Corporate and other unallocated assets				133,109
<b>Total assets</b>				<b>2,386,730</b>
<b>Segment liabilities</b>	767,833	334,554	567,178	1,669,565
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,095,624)
Corporate and other unallocated liabilities				336
<b>Total liabilities</b>				<b>574,277</b>

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 3. Operating Segment Information (continued)

**As at 30 June 2020 (audited)**

	Retail	Manufacturing	Property investment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	529,098	2,126,108	748,511	3,403,717
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,095,824)
Corporate and other unallocated assets				144,392
<b>Total assets</b>				<b>2,452,285</b>
<b>Segment liabilities</b>	821,615	326,440	567,086	1,715,141
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,095,824)
Corporate and other unallocated liabilities				456
<b>Total liabilities</b>				<b>619,773</b>

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2020

3. Operating Segment Information (continued)

**Geographical information**

(a) Revenue from external customers

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
North America	110,409	212,882
Europe	135,381	231,874
Mainland China, Hong Kong, Macau and Taiwan	313,081	464,049
Other Asian countries	153,881	214,065
Others	17,911	26,051
	730,663	1,148,921

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 2020

## 3. Operating Segment Information (continued)

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

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Mainland China, Hong Kong, Macau and Taiwan	1,153,746	1,220,812
Europe	15,399	14,466
Other Asian countries	11,003	9,622
	1,180,148	1,244,900

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 2020

## 4. Revenue, Other Income and Gains

**Information about major customers**

For the six months ended 31 December 2020, revenue derived from sales by the manufacturing segment to one major customer amounting to HK\$108,602,000 (unaudited) had accounted for over 10% of the Group's revenue, including sales to a group of entities which are known to be under common control of these customers.

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

An analysis of revenue is as follows:

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	723,663	1,140,958
<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	7,000	7,963
	730,663	1,148,921

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 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 average due within 90 days from delivery, except for new customers, where payment in advance is normally required.

**Other income and gains**

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net sample and material income	1,417	2,321
Interest income	4,626	4,895
Exchange gain, net	–	10,465
Government grants	9,744	2,154
Royalty income	3,309	2,924
Others	3,447	1,295
	22,543	24,054

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 5. (Loss)/Profit Before Tax

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

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	517,500	813,917
Employee benefit expense including		
Directors' remuneration		
– Wages and salaries	228,909	313,452
– Pension scheme contributions	11,169	13,934
– Equity-settled share award expense	1,069	2,569
	241,147	329,955
	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment	19,525	21,460
Depreciation of right-of-use assets	28,263	23,855
Amortization of intangible assets	876	950
Lease payments not included in the measurement of lease liabilities	10,243	15,145
(Reversal of write-down)/write-down of inventories to net realizable value	(25,776)	32,982
Auditors' remuneration	800	950
Fair value loss on investment properties	7,400	–
Exchange loss/(gain), net	51,042	(10,465)

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 6. Income Tax Expense

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the reporting period.

Macau Complementary Income Tax has not been provided for as the Group has no assessable profit arising in Macau during the six months ended 31 December 2020 (six months ended 31 December 2019: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2019: 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 2020.

Italy, Taiwan and Japan Income Tax has been provided at the rate of 31.4%, 15% and 43% of the assessable profits arising in the respective regions for the six months ended 31 December 2020 and 2019. Korea and USA Income Tax has not been provided for as the Group has no assessable profit arising in the related regions during the six months ended 31 December 2020 (six months ended 31 December 2019: nil).

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 6. Income Tax Expense (continued)

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

	<b>For the six months ended</b>	
	<b>31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	–	3,294
Current – Mainland China		
Charge for the period	11,527	20,510
Current – Elsewhere		
Charge for the period	750	845
Deferred tax	(1,683)	(983)
Total tax charged for the period	10,594	23,666

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 7. Dividends

	<b>For the six months ended 31 December</b>	
.....	2020	2019
	HK\$'000	HK\$'000
.....	(Unaudited)	(Unaudited)
.....		
Dividends on ordinary shares declared and paid during the six-month period:		
Special dividend for the year ended 30 June		
2020: HK3 cents (year ended 30 June		
2019: nil)	28,963	–
 Final dividend for the year ended 30 June		
2020: nil (year ended 30 June 2019:		
HK2 cents)	–	19,194
.....		
Dividends on ordinary shares declared (not recognized as a liability as at 31 December):		
Interim dividend – HK2 cents (six months ended 31 December 2019: HK2 cents)	19,309	19,309
.....		

On 26 February 2021, the Board resolved to declare an interim dividend for the six months ended 31 December 2020 of HK2 cents (six months ended 31 December 2019: HK2 cents) per ordinary share.

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 8. (Loss)/Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the six months ended 31 December 2020 and 2019 attributable to ordinary equity holders of the Company excluding cash dividend attributable to the awarded shares expected to be vested in the future as of the end of the reporting period and the weighted average number of ordinary shares of 962,506,348 (six months ended 31 December 2019: 959,519,913) in issue excluding awarded shares during the six months ended 31 December 2020.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit for the six months ended 31 December 2020 and 2019 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 31 December 2020 and 2019, as used in the basic (loss)/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 2020, there were no dilutive potential shares. The share awards were anti-dilutive for the six months ended 31 December 2020 as their conversion to ordinary shares would increase the (loss)/earnings per share.

For the six months ended 31 December 2020, the calculation of diluted (losses)/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 2019: nil).

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 8. (Loss)/Earnings Per Share Attributable to Ordinary Equity Holders of the Company (continued)

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

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to ordinary equity holders of the Company used in the basic and diluted (loss)/earnings per share calculation	(87,837)	45,984
	<b>For the six months ended 31 December</b>	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	962,506,348	959,519,913
Effect of dilution – weighted average number of ordinary shares:	–	1,968,704
Weighted average number of ordinary shares in issue during the year used in the diluted (loss)/earnings per share calculation	962,506,348	961,488,617
Basic (loss)/earnings per share (HK cents)	(9.13)	4.79
Diluted (loss)/earnings per share (HK cents)	(9.13)	4.78

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 9. Property, Plant and Equipment

During the six months ended 31 December 2020, the Group acquired property, plant and equipment with a cost of approximately HK\$6,696,000 (six months ended 31 December 2019: HK\$12,370,000).

During the six months ended 31 December 2020, depreciation for property, plant and equipment was HK\$19,525,000 (six months ended 31 December 2019: HK\$21,460,000).

During the six months ended 31 December 2020, property, plant and equipment with a net book value of HK\$2,386,000 (six months ended 31 December 2019: HK\$761,000) were disposed, resulting in a net loss on disposal of HK\$2,128,000 (six months ended 31 December 2019: loss of HK\$711,000).

## 10. Investment Properties

	Six months ended 31 December 2020 HK\$'000 (Unaudited)	Year ended 30 June 2020 HK\$'000 (Audited)
Carrying amount at beginning of the period/year	711,356	733,095
Fair value loss on investment properties	(7,400)	(21,739)
Carrying amount at end of the period/year	703,956	711,356

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 10. Investment Properties (continued)

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 11. Trade Receivables

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Trade receivables	320,815	273,387
Impairment	(2,645)	(2,323)
	318,170	271,064

The Group's trading terms with its customers are mainly on credit. The Group grants different credit periods to customers. The average credit term is around 90 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 2020

## 11. 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 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Within 90 days	283,549	192,700
91 to 180 days	12,919	62,183
Over 180 days	21,702	16,181
	318,170	271,064

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

	Six months ended 31 December 2020 HK\$'000 (Unaudited)	Year ended 30 June 2020 HK\$'000 (Audited)
At beginning of period/year	2,323	2,513
Impairment losses/(reversal of impairment losses), net	322	(190)
At the end of period/year	2,645	2,323

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 11. 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 2020 (Unaudited)**

	Current	Past due			Total
		Less than 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	0.17%	0.42%	4.73%	11.14%	0.82%
Gross carrying amount (HK\$'000)	198,310	102,790	5,157	14,558	320,815
Expected credit loss (HK\$'000)	345	434	244	1,622	2,645

**As at 30 June 2020 (Audited)**

	Current	Past due			Total
		Less than 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	0.16%	0.41%	4.40%	12.41%	0.85%
Gross carrying amount (HK\$'000)	152,014	98,940	13,805	8,628	273,387
Expected credit loss (HK\$'000)	238	407	607	1,071	2,323

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 12. Interest-Bearing Bank Borrowings

	As at 31 December 2020			As at 30 June 2020		
	(Unaudited)			(Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Lease liabilities	1.00%- 2.40%	2021	44,150	0.78%- 5.00%	2020	55,190
Bank loans – secured	1.00%- 2.40%	On demand	137,794	1.00%- 2.525%	On demand	200,789
			181,944			255,979
<b>Non-current</b>						
Lease liabilities	2.20%- 4.35%	2021-2022	49,109	0.78-5.00	2021-2022	89,727

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

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Aggregate carrying amount	7,307	21,776

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 12. Interest-Bearing Bank Borrowings (continued)

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

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

	As at 31 December 2020		As at 30 June 2020	
	(Unaudited)		(Audited)	
	Maturity	HK\$'000	Maturity	HK\$'000
Bank loans – secured	2021-2022	137,794	2020-2022	200,789
Analyzed into:				
Bank loans repayable:				
		130,487		179,013
		7,307		21,776
		137,794		200,789

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 13. Trade Payables

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

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Within 90 days	176,138	121,134
91 to 180 days	12,961	10,710
181 to 365 days	2,522	349
Over 365 days	1,591	1,425
	193,212	133,618

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

## 14. Share Capital and Treasury Shares

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

**Shares:**

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Issued and fully paid:		
962,702,000 (30 June 2020: 959,702,000)		
ordinary shares	96,270	95,970
Treasury shares:		
2,728,000 (30 June 2020: 5,728,000)		
ordinary shares (note 16)	273	573
	96,543	96,543

## 15. Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2020 (30 June 2020: nil).

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

### 16. 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 Group recognized an expense of approximately HK\$1,069,000 for the six months ended 31 December 2020 (for the six months ended 31 December 2019: HK\$2,569,000).

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, 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 2020

## 17. 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 2020:

	For the six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Maxon Properties Limited	1,200	1,200
	1,200	1,200

In the opinion of the Directors, the above related party transactions were on normal commercial terms 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 2020

## 17. Related Party Transactions (continued)

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

	<b>For the six months ended 31 December</b>	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	5,870	6,793
Post-employment benefits	54	63
Equity-settled share award expense	314	755
Total compensation paid to key management personnel	6,238	7,611

## 18. Events after the Reporting Period

**Effect assessment of the Novel Coronavirus disease outbreak**

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

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

## 19. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on 26 February 2021.

# 2021 中期報告

# SIToy



時代集團控股有限公司  
SIToy GROUP HOLDINGS LTD.

(於開曼群島註冊成立的有限公司)

股份代號: 1023