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

## **SITOY GROUP HOLDINGS LIMITED**

時代集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1023)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

#### **Financial highlights for the six months ended 31 December 2022**

Revenue increased by approximately 2.6% over the same period in 2021 to approximately HK\$956.5 million.

Gross profit increased by approximately 21.4% over the same period in 2021 to approximately HK\$314.2 million.

Net profit for the Period was approximately HK\$106.1 million compared to the same period in 2021 of approximately HK\$6.5 million (profit from continuing operations of approximately HK\$44.0 million and loss from a discontinued operation of approximately HK\$37.5 million).

Basic earnings per share attributable to the owners of the Company for the period was approximately HK11.02 cents compared to basic earnings per share for the same period in 2021 of approximately HK0.69 cents.

Declared interim dividend per ordinary share was HK4 cents for the six months ended 31 December 2022.

The board (the “Board”) of directors (the “Directors”) of Sityo Group Holdings Limited (the “Company”) announces 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”).

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2022

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

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

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*

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

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

|   | <b>As at<br/>31 December<br/>2022<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>30 June<br>2022<br>HK\$'000<br>(Audited) |
|---|--|---|
| <b>NET CURRENT ASSETS</b>                               | <b>719,393</b>   | 694,642   |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>        | <b>1,803,534</b>   | 1,796,780   |
| <b>NON-CURRENT LIABILITIES</b>                          |  |   |
| Lease liabilities                                       | <b>28,400</b>  | 22,186  |
| Deferred tax liabilities                                | <b>7,097</b>   | 7,135   |
| Deferred income   | <b>1,683</b>   | 1,923   |
| Total non-current liabilities                           | <b>37,180</b>  | 31,244  |
| Net assets  | <b>1,766,354</b>   | 1,765,536   |
| <b>EQUITY</b>   |  |   |
| Share capital   | <b>96,543</b>  | 96,543  |
| Treasury shares   | <b>(6,375)</b>   | (6,375)   |
| Reserves  | <b>1,676,186</b>   | 1,675,368   |
| <b>Equity attributable to owners of<br/>the Company</b> | <b>1,766,354</b>   | 1,765,536   |
| Total equity  | <b>1,766,354</b>   | 1,765,536   |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 (“IASS”) 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.

## 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>                                   |
| Annual Improvements to IFRSs 2018-2020 | <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.
- (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.
- (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.

### 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.

**For the six months ended 31 December 2022 (unaudited)**

|  | Retail<br>HK\$'000 | Manufacturing<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------|---------------------------|------------------------------------|-------------------|
| <b>Segment revenue:</b>  |                    |                           |                                    |                   |
| 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           |
| <b>Segment results</b>   | 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           |
| <b>Other segment information:</b>                                  |                    |                           |                                    |                   |
| 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             |

**For the six months ended 31 December 2021 (unaudited)**

|  | Retail<br>HK\$'000 | Manufacturing<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------|---------------------------|------------------------------------|-------------------|
| <b>Segment revenue:</b>  |                    |                           |                                    |                   |
| 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           |
| <b>Segment results</b>   |                    |                           |                                    |                   |
|  | 22,622             | 31,181                    | 3,422                              | 57,225            |
| Reconciliation:  |                    |                           |                                    |                   |
| Corporate and other unallocated expenses, net                      |                    |                           |                                    | (2,654)           |
| Profits before tax from continuing operations                      |                    |                           |                                    | 54,571            |
| <b>Other segment information:</b>                                  |                    |                           |                                    |                   |
| 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.

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

### As at 30 June 2022 (audited)

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

## 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                     | 2021        |
|  | HK\$'000                 | HK\$'000    |
|  | (Unaudited)              | (Unaudited) |
| Revenue  |                          |             |
| North America                                  | 217,139                  | 205,806     |
| Europe   | 151,484                  | 173,343     |
| Mainland China, Hong Kong,<br>Macau and Taiwan | 358,227                  | 409,318     |
| Other Asian countries                          | 202,620                  | 113,785     |
| Others   | 27,016                   | 30,370      |
|  | <b>956,486</b>           | 932,622     |

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

### (b) Non-current assets

|                                     | As at       | As at     |
|-------------------------------------|-------------|-----------|
|                                     | 31 December | 30 June   |
|                                     | 2022        | 2022      |
|                                     | HK\$'000    | HK\$'000  |
|                                     | (Unaudited) | (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.

## 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                     | 2021        |
|   | HK\$'000                 | HK\$'000    |
|   | (Unaudited)              | (Unaudited) |
| <i>Revenue from contracts with customers</i>                        | <b>949,441</b>           | 925,149     |
| <i>Revenue from other sources</i>                                   |                          |             |
| Gross rental income from investment<br>property operating leases:   |                          |             |
| Variable lease payments that do not depend on<br>an index or a rate | <b>7,045</b>             | 7,473       |
|   | <b>956,486</b>           | 932,622     |

### 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                     | 2021        |
|                                     | HK\$'000                 | HK\$'000    |
|                                     | (Unaudited)              | (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       |
|                                     | <b>31,910</b>            | 13,921      |



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

## 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:

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

## 7. A Discontinued Operation

On 3 November 2021, Sitoiy 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 “Sitoiy 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<br>six months<br>ended<br>31 December<br>2021<br>HK\$'000<br>(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)   |

**(b) The net cash flows incurred by the Disposal Group are as follows**

|   | For the<br>six months<br>ended<br>31 December<br>2021<br>HK\$'000<br>(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)   |

**(c) Loss per share**

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

## 8. Dividends

|  | <b>For the six months ended</b> |             |
|--|---------------------------------|-------------|
|  | <b>31 December</b>              |             |
|  | <b>2022</b>                     | 2021        |
|  | <b>HK\$'000</b>                 | HK\$'000    |
|  | <b>(Unaudited)</b>              | (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)  | <b>19,309</b>                   | 9,654       |
| Final dividend for the year ended 30 June 2022:  |                                 |             |
| HK4 cents (year ended  |                                 |             |
| 30 June 2021: nil)   | <b>38,618</b>                   | –           |
| 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)   | <b>38,618</b>                   | 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).

## 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).

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

|   | <b>For the six months ended</b> |             |
|---|---------------------------------|-------------|
|   | <b>31 December</b>              |             |
|   | <b>2022</b>                     | 2021        |
|   | <b>HK\$'000</b>                 | HK\$'000    |
|   | <b>(Unaudited)</b>              | (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  | <b>106,103</b>                  | 43,995      |
|   |                                 |             |
|   | <b>For the six months ended</b> |             |
|   | <b>31 December</b>              |             |
|   | <b>2022</b>                     | 2021        |
|   | <b>(Unaudited)</b>              | (Unaudited) |
| Basic:  |                                 |             |
| Earnings per share from the continuing operations (HK cents)  | <b>11.02</b>                    | 4.57        |
| Diluted:  |                                 |             |
| Earnings per share from the continuing operations (HK cents)  | <b>10.99</b>                    | 4.57        |

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

## 10. Trade Receivables

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

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:

|                | <b>As at<br/>31 December<br/>2022<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>30 June<br>2022<br>HK\$'000<br>(Audited) |
|----------------|--|---|
| Within 90 days | <b>310,998</b>   | 345,957   |
| 91 to 180 days | <b>29,682</b>  | 27,393  |
| Over 180 days  | <b>6,752</b>   | 9,524   |
|                | <b>347,432</b>   | 382,874   |

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

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

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 | Less than<br>3 months | Past due<br>3 to 6<br>months | Over<br>6 months | Total   |
|----------------------------------|---------|-----------------------|------------------------------|------------------|---------|
| 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 | Less than<br>3 months | Past due<br>3 to 6<br>months | Over<br>6 months | Total   |
|----------------------------------|---------|-----------------------|------------------------------|------------------|---------|
| 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   |

## 11. 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:

|                 | <b>As at<br/>31 December<br/>2022<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>30 June<br>2022<br>HK\$'000<br>(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   |
|                 | <b>163,370</b>   | 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.

## 12. 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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.

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.

### **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.

## **PROSPECT**

### **Retail business**

We are confident that retail business will be 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 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 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.

### **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.

## **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 discontinued operations 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.

## 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*

| <b>Property</b>                                   | <b>Address</b>   | <b>Use</b>   | <b>Lease term</b> |
|---|--|--|-------------------|
| 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 |

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.

### **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.

## **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).

### **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.

## **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.

## **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.

## **DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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**

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.

## **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.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company ([www.sitoy.com](http://www.sitoy.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company's interim report for the six months ended 31 December 2022 will be despatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board  
**Sitoy Group Holdings Limited**  
**Yeung Michael Wah Keung**  
*Chairman*

Hong Kong, 27 February 2023

*As at the date of this announcement, the executive Directors are Mr. Yeung Michael Wah Keung, Dr. Yeung Wo Fai and Mr. Yeung Andrew Kin; 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.*