



# 2022 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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# 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*)

### Non-executive Director

Dr. Lau Kin Shing, Charles\*

### Independent Non-executive Directors

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

## Authorized Representatives

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

### Environmental, Social and Governance Committee

Mr. Yeung Wo Fai (*Chairman*)  
Mr. Yeung Chi Tat  
Mr. Kwan Po Chuen, Vincent  
Dr. Lau Kin Shing, Charles

## Legal Adviser as to Hong Kong Laws

Woo Kwan Lee & Lo

## Principal Bankers

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

\* Re-designated from an executive Director to a non-executive Director with effect from 1 August 2021.

## Corporate Information

### Cayman Islands Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited  
Suite 3204, Unit 2A,  
Block 3, Building D,  
P.O. Box 1586, Gardenia Court,  
Camana Bay,  
Grand Cayman KY1-1110  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

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

### Auditors

Ernst & Young

### Stock Code

1023

### Company Website

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



# Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Sitoy Group Holdings Limited (the "Company") is pleased to present this interim report, including the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 December 2021 (the "Period").

## Business Review

### Retail business

Revenue generated from this segment increased by approximately 41.8% period to period to approximately HK\$272.9 million for the Period, benefiting mainly from the live broadcast sales especially in the PRC market. It generated segment profit before tax of approximately HK\$22.6 million when compared to the same period in the previous year of segment loss before tax of approximately HK\$2.2 million.

TUSCAN'S



## Management Discussion and Analysis

In order to capture the growing demand in the retail business, especially in the PRC market, the Group has adopted various immediate measures, such as reviewing the current brand portfolio and point-of-sales network, improving organisation structure to achieve better resource allocation and setting up our own e-commerce team, thereby maintaining the Group's strength for its long term development. The Group will also remain cautious and agile in business operation and preserve liquidity pending the stabilisation of the pandemic.

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 and Hong Kong.

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 channel. The Group has successfully built up its own live broadcast sales team and achieved satisfactory results. In addition, it is expected that future store openings will be concentrated in the PRC cities.

### **Manufacturing business**

During the Period, the Group's purchase orders received from its external customers have increased by approximately 38.4% when compared to the same period in the previous year. It was mainly due to the fact that brand customers reviewed their sourcing strategies and started to source their supplies directly from the PRC because of its stable supply chain and high quality production to support the growing business in the PRC market whilst COVID-19 pandemic remains relatively under control during the Period. The manufacturing business has generated segment revenue from external customers of approximately HK\$652.3 million with segment profit before tax of approximately HK\$31.2 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, 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\$7.5 million with segment profit before tax of approximately HK\$3.4 million during the Period.

### **Product Research, Development and Design**

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

## Management Discussion and Analysis

### Prospect

#### **Retail business**

The restructuring of the brand portfolio by disposing Amedeo Testoni (formerly known as "A. Testoni") allows the Group to reallocate resources into developing other retail brands especially in the Greater China market. The current operating brands can generate more synergy and share the resources because of their point of sales network, price range and product types.

The PRC is an enormous market in which we expect the growth in domestic demand will ride on the accelerated recovery of market activities as the COVID-19 pandemic remains under control. 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 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.

#### **Manufacturing business**

Living with COVID-19 or zero COVID-19 strategies implemented by different countries or areas together with the growing global COVID-19 vaccine injection rate have stabilised the COVID-19 situation, especially in the PRC. As such, brand customers started to source their supplies directly from the PRC because of its stable supply chain and high quality production to support the growing business in the PRC market, which benefits our manufacturing business in the Period, and we expect the growing trend will be continued. 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.

## Management Discussion and Analysis

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

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

### **Property investment business**

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

## Financial Review

### **Revenue**

The Group's revenue increased by approximately 39.1% to approximately HK\$932.6 million for the six months ended 31 December 2021 from approximately HK\$670.7 million for the six months ended 31 December 2020. This increase was primarily due to the increase in demand from the brand customers in the manufacturing business and retail business.

### **Cost of sales**

Cost of sales of the Group increased by approximately 33.2% to approximately HK\$673.9 million for the six months ended 31 December 2021 from approximately HK\$505.8 million for the six months ended 31 December 2020. The increase in cost of sales was in line with the increase in revenue.

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

Gross profit increased by approximately 56.9% to approximately HK\$258.7 million for the six months ended 31 December 2021 from approximately HK\$164.9 million for the six months ended 31 December 2020. Gross profit margin increased from 24.6% for the six months ended 31 December 2020 to 27.7% for the six months ended 31 December 2021, it was mainly due to the fact that the manufacturing customers were willing to pay higher margin in order to enjoy the stable and high quality productions in the PRC, as well as the improved retail business and lower discounts granted to customers.

## Management Discussion and Analysis

### **Selling and distribution expenses**

Selling and distribution expenses increased by approximately 14.3% to approximately HK\$88.8 million for the six months ended 31 December 2021 from approximately HK\$77.7 million for the six months ended 31 December 2020. The increase was primarily attributable to the launch of certain marketing activities of the retail business.

### **Administrative expenses**

Administrative expenses increased by approximately 13.5% to approximately HK\$112.3 million for the six months ended 31 December 2021 from approximately HK\$98.9 million for the six months ended 31 December 2020 due to more administrative staff being hired to manage the growing manufacturing and retail businesses.

### **Other expenses**

Other expenses decreased from approximately HK\$60.7 million for the six months ended 31 December 2020 to approximately HK\$15.2 million for the six months ended 31 December 2021. It was mainly because of the decrease in net exchange loss to approximately HK\$11.1 million (mostly unrealised) which was included in other expenses, when compared to the net exchange loss in the same period in the previous year of approximately HK\$51.0 million.

### **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 2021 and 2020 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 2021 (six months ended 31 December 2020: nil).

## Management Discussion and Analysis

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 2021 was 19.4% while the Group recorded loss before tax for the six months ended 31 December 2020.

### **Profit/loss for the Period**

The Group recorded net profit for the period 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) when compared to the loss for the same period in 2020 of approximately HK\$89.9 million (loss from continuing operations of approximately HK\$51.7 million and loss from discontinued operations of approximately HK\$38.1 million). The turnaround is mainly due to 1) living with COVID-19 or zero COVID-19 strategies implemented by different countries or areas together with the growing global COVID-19 vaccine injection rate, which has stabilised the COVID-19 situation, especially in the PRC, during the six months ended 31 December 2021, benefiting both our manufacturing and retail businesses and 2) the stabilised Hong Kong commercial property market and lower fair value loss is recorded in the property investment business.

### **Discontinued operations**

With the disposal of the entire issued share capital of Sitoy AT Holdings Company Limited and its subsidiaries (the “Target Group”), as per accounting treatment, the Group has reclassified the Target Group as discontinued operations, and relevant assets and liabilities have been reclassified as “assets of a disposal group classified as held for sale” and “liabilities directly associated with assets classified as held for sale” respectively.

## Management Discussion and Analysis

During the Period, the discontinued operations incurred loss of approximately HK\$37.5 million, as compared to the loss for the same period in 2020 of approximately HK\$38.1 million and included in the non-operating items. The Group has also recognised the impairment loss in respect of the assets of a disposal group classified as held for sale of approximately HK\$9.2 million by taking into account the recoverable amount, provision relating to the potential liabilities and other transaction costs directly attributable to the disposal, if any.

After impairment, it is expected that the Group will not record a material gain or loss as a result of the disposal. It is different from the previous estimated loss on disposal of approximately HK\$43.8 million as disclosed in the announcements of the Company dated 3 November 2021 and 5 November 2021, because of the net effect of the following changes: 1) final consideration decreased by HK\$8.8 million, 2) estimated consolidated net asset value (excluding inter-company balances) of the Target Group on completion date decreased by approximately HK\$43.1 million, mainly due to the operating loss incurred from October 2021 to completion date, and change in certain accounting estimations and judgments, 3) impairment loss of approximately HK\$9.2 million recognised during the Period, and 4) non-controlling interest increased by approximately HK\$0.3 million. The disposal was completed in January 2022, and the actual gain or loss as a result of the disposal to be recorded by the Group is still subject to final audit to be performed by the auditors of the Company.

## Management Discussion and Analysis

### **Investment properties**

Details of investment properties of the Group with carrying amounts of approximately HK\$699.8 million and HK\$700.0 million as at 31 December 2021 and 30 June 2021 respectively are as follows:

#### **As at 31 December 2021 and 30 June 2021**

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

## Management Discussion and Analysis

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

The Property 1 held by the Group is with a total gross floor area of approximately 70,000 square feet. The Property 1 was re-named as "Sitoy Tower", 7th to 10th Floor are for the Group's own use as the Group's headquarter, showrooms for merchandise display and market week, and classified as "Property, Plant and Equipment" instead of investment properties in the financial statements of the Group. The remaining floors of Property 1 are held for rental income and capital appreciation purposes. As at 31 December 2021, the fair value of the remaining floors of Property 1 was approximately HK\$604.8 million, which represented approximately 25.7% of the Group's total assets. During the six months ended 31 December 2021, the remaining floors of Property 1 had generated total rental income of approximately HK\$6.1 million. No fair value loss was recognized in respect of Property 1 during the six months ended 31 December 2021 (2020: HK\$6.4 million).

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

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

## Management Discussion and Analysis

### **Right-of-use assets**

As at 31 December 2021, right-of-use assets decreased from approximately HK\$80.0 million as at 30 June 2021 to approximately HK\$49.1 million. It was mainly because the reclassification of a portion of right-of-use assets to assets of a disposal group classified as held for sale and amortization charged during the Period.

### **Capital expenditure**

For the six months ended 31 December 2021, the capital expenditure of the Group amounted to approximately HK\$5.5 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**

On 3 November 2021, a sale and purchase agreement was entered into between, amongst others, Sitoy International Limited (時代國際有限公司) (the "Vendor", a wholly-owned subsidiary of the Company) and Ample Fame Investments Limited (滿譽投資有限公司) (the "Purchaser", a wholly-owned subsidiary of Viva China Holdings Limited, a company whose shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8032)), pursuant to which (i) the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Sitoy AT Holdings Company Limited and its subsidiaries (the "Target Group") at a consideration of HK\$50,000,000, subject to adjustments; and (ii) the Vendor and the Purchaser agreed that the Purchaser shall pay or procure the payment of the post-closing payment after completion, being an amount of up to EUR3,500,000, subject to adjustments. Upon completion, the Target Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

## Management Discussion and Analysis

As one or more of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the disposal is 5% or more but all of them are less than 25%, the disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules. For further details, please refer to the announcements of the Company dated 3 November 2021 and 5 November 2021, and the section headed "Discontinued operations" in this report.

Other than disclosed above, the Group had no other 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 2021 amounted to approximately HK\$329.1 million (30 June 2021: approximately HK\$477.8 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 2021 was approximately 6.7% (30 June 2021: 3.5%) which is net debt divided by total capital plus net debt.

## Management Discussion and Analysis

### Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. During the six months ended 31 December 2021, 65.2% (31 December 2020: 63.4%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the transaction, whilst approximately 79.5% (31 December 2020: 74.5%) of costs were denominated in the units' functional currency. As at 31 December 2021, the Group had no foreign exchange forward contracts and other financial derivatives outstanding (30 June 2021: nil).

### Pledge of assets

As at 31 December 2021, approximately HK\$25.7 million time deposits were pledged as securities for banking facilities granted to the Group (30 June 2021: approximately HK\$25.2 million).

As at 31 December 2021, secured bank borrowings were approximately HK\$102.4 million (30 June 2021: HK\$126.6 million).

### Inventory turnover days

Inventory turnover days decreased to 88 days for the six months ended 31 December 2021 from 144 days for the year ended 30 June 2021. The decrease in inventory turnover days was mainly due to the increase in sales contributions from both manufacturing and retail businesses.

### Trade receivables turnover days

Trade receivables turnover days decreased to 54 days for the six months ended 31 December 2021 compared with 64 days for the year ended 30 June 2021. The Group did not experience any significant credit risk due to strict credit control policies.

## Management Discussion and Analysis

### **Trade and bills payables turnover days**

Trade and bills payables turnover days decreased to 76 days for the six months ended 31 December 2021 compared with 86 days for the year ended 30 June 2021. It was mainly due to increase in cost of sales.

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

As at 31 December 2021, 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 2021.

### **Employees**

As at 31 December 2021, the Group had about 4,400 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the 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.

## Management Discussion and Analysis

The Company also adopted a share option scheme on 15 November 2011 (which has lapsed on 14 November 2021) and a share award scheme on 12 July 2018 for the purpose of recognising employees' contribution. Details have been set out in the section headed "Share Option Scheme" and "Share Award Scheme" below.

## Dividend, Record and Payment Dates

The Directors have declared an interim dividend of HK2 cents (six months ended 31 December 2020: HK2 cents) per ordinary share to the shareholders for the six months ended 31 December 2021 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, 8 April 2022. It is expected that the interim dividend will be paid on or before Friday, 29 April 2022.

## Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 6 April 2022 to Friday, 8 April 2022 (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, 4 April 2022.

## 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 2021, 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 Beneficiary of a trust	1,755,000 (Note) 1,705,000 (Note)	1,544,000 -	3,299,000	0.34%

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 were lapsed 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 2021, 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 2021, 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 2021, 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 2021.

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 2021 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 2021.

### 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 2021 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 2021 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 2021.

## Corporate Governance and Other Information

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 December 2021.

### **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:

#### ***Re-designation of a Director***

Dr. Lau Kin Shing, Charles ("Dr. Lau") has been re-designated from an executive Director to a non-executive Director with effect from 1 August 2021. Dr. Lau is entitled to a Director's fee of HK\$300,000 per annum pursuant to his letter of appointment with the Company. For further details, please refer to the announcement of the Company dated 26 July 2021.

#### ***Changes in other directorships***

Dr. Lau has been appointed as an independent director of Lingyi Itech (Guangdong) Company Limited\* (廣東領益智造股份有限公司) (stock code: 002600), a company whose shares are listed on the Shenzhen Stock Exchange, with effect from 6 July 2021.

### **Establishment of Environmental, Social and Governance Committee**

On 28 February 2022, the Board resolved to establish the environmental, social and governance committee (the "ESG Committee") with written terms of reference which are available on the company website ([www.sitoy.com](http://www.sitoy.com)) and Stock Exchange website ([www.hkexnews.hk](http://www.hkexnews.hk)). The primary duties of the ESG Committee is to assist the Board in reviewing the policies and overseeing matters with respect to environmental, social and governance responsibility, including: a) workplace quality; b) environmental protection; c) operating practices; and d) community involvement and social responsibility. The ESG Committee comprises Mr. Yeung Wo Fai (Chairman), Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Dr. Lau Kin Shing, Charles.

\* The English name is for identification purposes only.

## 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 2021, share options to subscribe for 4,500,000 ordinary shares of HK\$0.10 each of the Company were outstanding as at 31 December 2021.

As at 31 December 2021, 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 2021 are as follows:

Grantees	Date of Grant	Exercise Price	Exercise Period	Number of Share Options					
				Balance as at 1 July 2021	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Balance as at 31 December 2021
<b>Directors:</b>									
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
<b>Sub-total:</b>									
Eligible employees (i)	21 September 2015	HK\$3.84	21 September 2016 to 20 September 2025 (i)	2,956,000	-	-	-	-	2,956,000
<b>Grand Total:</b>									
				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 2021.

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

### Share Award Scheme

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

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

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

## Corporate Governance and Other Information

On 12 July 2018, 9,000,000 award shares had been granted to certain selected participants of the Group. Among the 9,000,000 award shares granted, a total of 2,646,000 award shares were granted to Dr. Lau Kin Shing, Charles (“Dr. Lau”), being the then executive Director of the Company. Subject to the condition that Dr. Lau remains in employment with the Group, 823,000 award shares were vested on 12 July 2019, 882,000 award shares were vested on 12 July 2020 and 941,000 award shares were lapsed on 12 July 2021. As Dr. Lau is the then executive Director, he is a connected person of the Company and accordingly, the granting of the award shares to Dr. Lau constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

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

### Board of Directors

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

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

**Yeung Michael Wah Keung**  
*Chairman*

Hong Kong, 28 February 2022

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2021

**For the six months ended  
31 December**

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	932,622	670,707
Cost of sales		(673,887)	(505,783)
Gross profit		258,735	164,924
Other income and gains	4	13,921	14,100
Selling and distribution expenses		(88,793)	(77,676)
Administrative expenses		(112,260)	(98,893)
Reversal of impairment loss/(impairment losses) on financial assets, net		629	(201)
Other expenses		(15,201)	(60,732)
Finance costs		(2,460)	(362)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	5	54,571	(58,840)
Income tax (expense)/credit	6	(10,576)	7,112
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		43,995	(51,728)
<b>DISCONTINUED OPERATIONS</b>			
Loss for the period from discontinued operations	7	(37,457)	(38,124)
PROFIT/(LOSS) FOR THE PERIOD		6,538	(89,852)
Attributable to:			
Owners of the Company		6,655	(87,837)
Non-controlling interests		(117)	(2,015)
		6,538	(89,852)

Interim Condensed Consolidated Statement of Profit or Loss  
For the six months ended 31 December 2021

<b>For the six months ended 31 December</b>			
	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic			
– For profit/(loss) for the period (HK cents)		0.69	(9.13)
– For profit/(loss) for the period from continuing operations (HK cents)		4.57	(5.25)

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 2021

	<b>For the six months ended 31 December</b>	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	6,538	(89,852)
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	18,261	98,405
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	18,261	98,405
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	24,799	8,553
Attributable to:		
Owners of the Company	24,916	10,568
Non-controlling interests	(117)	(2,015)
	24,799	8,553

# Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	341,980	365,376
Investment properties	11	699,756	699,956
Right-of-use assets		49,085	79,999
Other intangible assets		2,424	7,976
Debt investments designated at fair value through other comprehensive income		–	9,644
Deferred tax assets		39,855	38,939
Other non-current assets		579	12,366
Total non-current assets		1,133,679	1,214,256
<b>CURRENT ASSETS</b>			
Inventories		268,467	285,823
Trade receivables	12	360,031	229,792
Prepayments, other receivables and other assets		86,369	85,367
Pledged deposits		25,740	25,219
Cash and cash equivalents		329,120	477,820
		1,069,727	1,104,021
Assets of a disposal group classified as held for sale	7	153,324	–
Total current assets		1,223,051	1,104,021
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	13	102,394	126,599
Trade and bills payables	14	245,627	210,254
Other payables and accruals		106,597	119,426
Lease liabilities	13	23,214	41,623
Tax payable		15,061	19,065
		492,893	516,967
Liabilities directly associated with assets classified as held for sale	7	74,529	–
Total current liabilities		567,422	516,967

Interim Condensed Consolidated Statement of Financial Position  
As at 31 December 2021

	Notes	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
<b>NET CURRENT ASSETS</b>		655,629	587,054
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,789,308	1,801,310
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	13	15,982	42,563
Deferred tax liabilities		7,175	7,526
Deferred income		2,271	2,486
Total non-current liabilities		25,428	52,575
Net assets		1,763,880	1,748,735
<b>EQUITY</b>			
Share capital	15	96,543	96,543
Treasury shares	15	(6,375)	(6,375)
Reserves		1,667,042	1,651,780
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests		1,757,210	1,741,948
Total equity		1,763,880	1,748,735

**Yeung Wo Fai**  
Director

**Yeung Andrew Kin**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021

	Attributable to owners of the Company															
	Fair value reserve of financial assets at fair value															
	Share			Statutory			Asset			through other			Exchange		Non-	
	Share	Treasury	premium	award	Merger	reserve	revaluation	Asset	Other comprehensive	fluctuation	Retained	Total	controlling	Total		
	capital	shares	account <sup>1</sup>	reserve <sup>1</sup>	fund <sup>1</sup>	reserve <sup>1</sup>	reserve <sup>1</sup>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	HK\$'000	HK\$'000		
	(note 15)															
At 1 July 2021 [Audited]	96,543	(6,375)	922,063	11,137	4,030	78,160	24,688	(29,050)	1,492	(40,189)	679,449	1,741,948	6,787	1,748,735		
Profits for the period	-	-	-	-	-	-	-	-	-	-	6,655	6,655	(117)	6,538		
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	18,261	-	18,261	-	18,261		
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	18,261	6,655	24,916	(117)	24,799		
Acquisition of a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Dividend	-	-	-	-	-	-	-	-	-	-	(9,654)	(9,654)	-	(9,654)		
Transfer from retained profits	-	-	-	-	-	11,420	-	-	-	-	(11,420)	-	-	-		
At 31 December 2021 [unaudited]	96,543	(6,375)	922,063	11,137	4,030	89,580	24,688	(29,050)	1,492	(21,928)	665,030	1,757,210	6,670	1,763,880		

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021

	Attributable to owners of the Company												
	Far value reserve of financial assets at fair value												
	Share Statutory Asset through other Exchange												
	Share	Treasury	premium	award	Merger	reserve	revaluation	Other	comprehensive	fluctuation	Retained	Total	Non-controlling interests
	capital	shares	account*	reserve*	reserve*	fund*	reserve*	reserve**	income*	reserve*	profits*	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2020 (Audited)	98,543	(13,385)	923,073	14,999	4,030	76,169	24,688	-	651	(151,530)	879,824	1,855,082	(2,550)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(87,837)	(87,837)	(2,015)
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	98,405	-	98,405	-
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	-	98,405	(87,837)	10,568	(2,015)
Acquisition of a non-controlling interest	-	-	-	-	-	-	-	(33,545)	-	-	-	(33,545)	32,745
Equity-settled share award arrangement	-	-	-	1,069	-	-	-	-	-	-	-	1,069	-
Equity-settled share award vested	-	7,010	(1,010)	(6,000)	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(28,881)	(28,881)	-	(28,881)
Transfer from retained profits	-	-	-	-	-	2,785	-	-	-	-	(2,785)	-	-
At 31 December 2020 (unaudited)	98,543	(6,375)	922,082	10,068	4,030	78,954	24,688	(33,545)	651	(53,125)	760,321	1,804,273	8,180
													1,812,453

\* These reserve accounts comprise the consolidated reserves of HK\$1,667,042,000 (31 December 2020: HK\$1,714,104,000) in the consolidated statement of financial position.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2021

	<b>For the six months ended 31 December</b>	
	<b>2021</b> HK\$'000 (Unaudited)	<b>2020</b> HK\$'000 (Unaudited and restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax:		
From continuing operations	54,571	(58,840)
From a discontinued operation	(42,955)	(20,418)
Total adjustments	36,473	26,958
Total working capital adjustments	(119,631)	85,365
Cash (used in) generated from operations	(71,542)	33,065
Profits tax paid	(9,718)	(5,056)
<b>NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(81,260)</b>	<b>28,009</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of items of property, plant and equipment	340	258
Purchase of items of property, plant and equipment	(1,244)	(6,702)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(904)</b>	<b>(6,444)</b>

**Interim Condensed Consolidated Statement of Cash Flows**  
 For the six months ended 31 December 2021

	<b>For the six months ended 31 December</b>	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New interest-bearing bank borrowings raised	181,157	–
Repayment of interest-bearing bank borrowings	(200,384)	(60,016)
Dividends paid	(9,654)	(28,881)
Interest paid	(4,210)	(1,192)
Principal portion of lease payments	(23,093)	(24,196)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(56,184)</b>	<b>(114,285)</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(138,348)</b>	<b>(92,720)</b>
Cash and cash equivalents at beginning of the period	477,820	517,822
Effect of foreign exchange rate changes, net	5,428	36,658
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>344,900</b>	<b>461,760</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 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 Mr. 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 2021 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 2021.

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, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell.

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 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 financial statements for the year ended 30 June 2021, 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 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. 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.

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

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

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

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$841,800 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 31 December 2021.

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 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.

Regarding the disposal of Sitoy AT Holdings Company and its subsidiaries, which was discontinued in the current period. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in more detail in note 7. The corresponding items of segment information for the period ended 31 December 2020 have been restated.

Segment performance is evaluated based on reportable segment loss/profit, which is a measure of adjusted loss/profit before tax from continuing operations. The adjusted loss/profit before tax from continuing operations is measured consistently with the Group's loss/profit before tax from continuing operations except corporate and unallocated expenses are excluded from this measurement.

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 3. Operating Segment Information (continued)

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

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
<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>				
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
Amortization of right-of-use assets	12,242	2,846	–	15,088
Reversal of write down of net realizable value	(117)	(8,646)	–	(8,763)
Capital expenditure*	1,371	4,137	–	5,508

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 3. Operating Segment Information (continued)

#### For the six months ended 31 December 2020 (unaudited and restated)

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	192,443	471,264	7,000	670,707
Intersegment sales	–	94,403	1,536	95,939
	192,443	565,667	8,536	766,646
Reconciliation:				
Elimination of intersegment sales	–	(94,403)	(1,536)	(95,939)
Revenue from continuing operations				670,707
<b>Segment results</b>				
Reconciliation:				
Corporate and other unallocated expenses, net	(2,190)	(44,227)	(3,757)	(50,174)
Profit before tax from continuing operations				(58,840)
<b>Other segment information:</b>				
Depreciation of items of property, plant and equipment	2,230	14,229	–	16,459
Unallocated depreciation of items of property, plant and equipment				1,274
				17,733
Amortization of right-of-use assets	12,564	2,682	–	15,246
(Reversal of write down of)/write down of inventories to net realizable value	(2,466)	1,807	–	(659)
Capital expenditure*	2,676	875	–	3,551

\* 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 2021

### 3. Operating Segment Information (continued)

The following table compares the total segment assets and liabilities as at 31 December 2021 and as at the date of the last annual financial statements (30 June 2021).

#### **As at 31 December 2021 (unaudited)**

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment assets</b>	271,933	1,865,591	798,390	2,935,914
<i>Reconciliation:</i>				
Elimination of intersegment receivables			(862,880)	
Corporate and other unallocated assets				130,372
Assets related to discontinued operations				153,324
Total assets				2,356,730
<b>Segment liabilities</b>	343,235	416,715	620,653	1,380,603
<i>Reconciliation:</i>				
Elimination of intersegment payables			(862,880)	
Corporate and other unallocated liabilities				598
Liabilities related to discontinued operations				74,529
Total liabilities				592,850

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

**3. Operating Segment Information (continued)**  
**As at 30 June 2021 (audited)**

	Retail HK\$'000	Manufacturing HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment assets</b>	533,066	2,113,056	752,100	3,398,222
<i>Reconciliation:</i>				
Elimination of intersegment receivables			(1,211,201)	
Corporate and other unallocated assets				131,256
Total assets				2,318,277
<b>Segment liabilities</b>	805,583	355,256	619,419	1,780,258
<i>Reconciliation:</i>				
Elimination of intersegment payables			(1,211,201)	
Corporate and other unallocated liabilities				485
Total liabilities				569,542

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

### 3. Operating Segment Information (continued)

#### **Geographical information**

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

##### (a) Revenue from external customers

	<b>For the six months ended 31 December</b>	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
<b>Revenue</b>		
North America	205,806	110,409
Europe	173,343	127,597
Mainland China, Hong Kong, Macau and Taiwan	409,318	282,406
Other Asian countries	113,785	132,935
Others	30,370	17,360
	932,622	670,707

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 2021

### 3. Operating Segment Information (continued)

#### **Geographical information (continued)**

##### *(b) Non-current assets*

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Mainland China, Hong Kong and Macau	1,093,824	1,145,490
Europe	–	18,371
Other Asian countries	–	11,456
	1,093,824	1,175,317

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 2021

## 4. Revenue, Other Income and Gains

### **Information about a major customer**

For the six months ended at 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.

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, 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:

<b>For the six months ended 31 December</b>	2021 HK\$'000	2020 HK\$'000 (Unaudited and restated)
<i>Revenue from contracts with customers</i>	925,149	663,707
<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	7,473	7,000
	932,622	670,707

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

#### 4. Revenue, Other Income and Gains (continued)

##### **Revenue from contracts with customers**

###### *(i) Disaggregated revenue information*

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

###### *(ii) Performance obligations*

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

###### Retail

The performance obligation is satisfied upon delivery of the goods.

###### Manufacturing

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 14 to 150 days from delivery, except for new customers, where payment in advance is normally required.

##### **Other income and gains**

**For the six months ended  
31 December**

	2021 HK\$'000	2020 HK\$'000 (Unaudited and restated)
Net sample and material income	4,164	1,417
Interest income	3,217	2,112
Government grants	4,863	9,744
Others	1,677	827
	13,921	14,100

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 5. Profit/(Loss) Before Tax from Continuing Operations

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

	<b>For the six months ended 31 December</b>	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Cost of inventories sold	673,887	505,783
Employee benefit expense including Directors' and chief executive's remuneration		
– Wages and salaries	210,755	193,648
– Pension scheme contributions	13,965	11,169
– Equity-settled share award expense	–	1,069
	224,720	205,886

	<b>For the six months ended 31 December</b>	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Depreciation of items of property, plant and equipment	16,959	17,733
Depreciation of right-of-use assets	15,088	15,246
Lease payments not included in the measurement of lease liabilities	855	2,292
Reversal of write-down of inventories to net realizable value	(8,763)	(659)
Auditors' remuneration	900	800
Exchange loss, net	11,054	51,042

**Notes to Interim Condensed Consolidated Financial Statements**  
For the six months ended 31 December 2021

## 6. Income Tax Expense/(Credit)

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 2021 (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 31 December 2021.

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 2021 (six months ended 31 December 2020: nil).

The provision for PRC corporate income tax is based on a statutory rate of 25% (six months ended 31 December 2020: 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 2021.

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

	<b>For the six months ended 31 December</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	<b>2020 HK\$'000 (Unaudited and restated)</b>
Current – Hong Kong		
Charge for the period	1,081	–
Current – Mainland China		
Charge for the period	10,101	11,527
Current – Other regions		
Charge for the period	68	–
Deferred tax	(674)	(18,639)
Total tax expense/(credit) for the period	10,576	(7,112)

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 7. Discontinued Operations/Assets of a Disposal Group Classified as Held for Sale/Liabilities Directly Associated With Assets Classified as Held For Sale

On 3 November 2021, Sitoy International Limited, a subsidiary of the Company, as seller, and Ample Fame Investments Limited ("Ample Fame"), as purchaser, entered into a sales and purchase agreement ("Agreement") in relation to the disposal (the "Disposal") of the entire issued share capital of Sitoy AT Holding Company Limited and its subsidiaries (the "Target Group"). The Disposal was completed in January 2022, at the consideration of HK\$1 and the post-closing payment of EUR2,538,000 (approximately HK\$22,413,000). Pursuant to the Agreement, the inter-company loans due to the Company from the Disposal amounted to RMB41,137,000 (approximately HK\$50,382,000) as at 31 December 2021 will be repaid to the Company. The Group has reclassified the Target Group as discontinued operations, and relevant assets and liabilities have been reclassified as "assets of a disposal group classified as held for sale" and "liabilities directly associated with assets classified as held for sale" respectively as at 31 December 2021. For further details, please refer to the announcements of the Company dated 3 November 2021 and 5 November 2021.

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

7. Discontinued Operations/Assets of a Disposal Group Classified as Held for Sale/Liabilities Directly Associated With Assets Classified as Held For Sale (continued)

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

**For the six months ended  
31 December**

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	55,477	59,956
Cost of sales	(14,608)	(11,717)
Expenses	(72,909)	(66,704)
Finance costs	(1,750)	(1,953)
Loss from the discontinued operations	(33,790)	(20,418)
Loss recognised on the remeasurement to fair value	(9,165)	–
Loss before tax from the discontinued operations	(42,955)	(20,418)
Income tax credit/(expense)	5,498	(17,706)
Loss for the period from the discontinued operations	(37,457)	(38,124)

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

7. Discontinued Operations/Assets of a Disposal Group Classified as Held for Sale/Liabilities Directly Associated With Assets Classified as Held For Sale (continued)

**(b) The major classes of assets and liabilities of the Disposal Group classified as held for sale are as follows:**

	As at 31 December
	2021 HK\$'000 (Unaudited)
<b>Assets</b>	
Property, plant and equipment	9,214
Right-of-use assets	12,202
Other intangible assets	3,064
Other non-current assets	10,323
Debt investments designated at fair value through other comprehensive income	10,367
Inventories	66,810
Trade receivables	12,892
Prepayments, other receivables and other assets	12,672
Cash and short term deposits	15,780
Assets classified as held for sale	153,324
<b>Liabilities</b>	
Trade payables	15,824
Other payables and accruals	25,643
Tax payable	2,711
Lease liabilities	29,212
Deferred tax liabilities	1,139
Liabilities directly associated with the assets classified as held for sale	74,529
Net assets directly associated with the Disposal Group	78,795

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

7. Discontinued Operations/Assets of a Disposal Group  
Classified as Held for Sale/Liabilities Directly Associated  
With Assets Classified as Held For Sale (continued)

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

	<b>For the six months ended 31 December</b>	
	<b>2021</b> HK\$'000 (Unaudited)	<b>2020</b> HK\$'000 (Unaudited)
Operating activities	(22,486)	(10,116)
Investing activities	(9,130)	(8,795)
Financing activities	5,809	4,985
Effect of foreign exchange rate changes	473	2,071
Net cash outflow	(25,335)	(11,855)

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

**7. Discontinued Operations/Assets of a Disposal Group Classified as Held for Sale/Liabilities Directly Associated With Assets Classified as Held For Sale (continued)**

**(d) Loss per share**

<b>For the six months ended 31 December</b>		
	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
Basic and diluted, from the discontinued operations (HK cents)	(3.88)	(3.88)

The calculations of basic and diluted loss per share from the discontinued operations are based on:

<b>For the six months ended 31 December</b>		
	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
Loss attributable to ordinary equity holders of the parent from the discontinued operations (HK\$'000)	(37,340)	(37,312)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	962,702,000	962,506,348

Assets held for sale with a carrying amount of approximately HK\$162,489,000 were written down to its fair value of approximately HK\$153,324,000 resulting in a loss of approximately HK\$9,165,000 which was included in loss for the period from a discontinued operation during the six months ended 31 December 2021.

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

## 8. Dividends

	<b>For the six months ended 31 December</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	<b>2020 HK\$'000 (Unaudited)</b>
Dividends on ordinary shares declared and paid during the six-month period: Special dividend for the year ended 30 June 2021: HK1 cent per ordinary share (year ended 30 June 2020: HK3 cents per ordinary share)	9,654	28,881
Final dividend for the year ended 30 June 2021: HK1 cent (year ended 30 June 2020: nil)	–	–
Dividends on ordinary shares declared (not recognized as a liability as at 31 December): interim dividend – HK2 cents per ordinary share (six months ended 31 December 2020: HK2 cents)	19,309	19,309

On 28 February 2022, the Board of Directors of the Company resolved to declare an interim dividend of HK2 cents for the six months ended 31 December 2021 (six months ended 31 December 2020: HK2 cents).

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the six months ended 31 December 2021 and 2020 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 2020: 962,506,348) in issue excluding awarded shares during the six months ended 31 December 2021.

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) for the six months ended 31 December 2021 and 2020 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 2021 and 2020, as used in the basic earnings/(loss) 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 2021, 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 2020: nil).

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

9. Earnings/(Loss) 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>	
	2021 HK\$'000	2020 HK\$'000 (Unaudited and restated)
Profit/(Loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation		
From continuing operations	43,995	(50,525)
Basic and diluted:		
Earnings/(loss) per share from the continuing operations (HK cents)	4.57	(5.25)

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For the six months ended 31 December 2021

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

	<b>For the six months ended 31 December</b>	
	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	962,702,000	962,506,348
Effect of dilution – weighted average number of ordinary shares:	–	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	962,702,000	962,506,348

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 10. Property, Plant and Equipment

During the six months ended 31 December 2021, the Group acquired property, plant and equipment with a cost of approximately HK\$5,508,000 (six months ended 31 December 2020: HK\$3,351,000).

During the six months ended 31 December 2021, depreciation for property, plant and equipment was HK\$16,959,000 (six months ended 31 December 2020: HK\$17,733,000).

During the six months ended 31 December 2021, property, plant and equipment with a net book value of HK\$1,280,000 (six months ended 31 December 2020: HK\$2,386,000) were disposed, resulting in a net loss on disposal of HK\$940,000 (six months ended 31 December 2020: loss of HK\$2,128,000).

### 11. Investment Properties

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Carrying amount at beginning of the period/year	699,956	711,356
Fair value loss on investment properties	(200)	(11,400)
Carrying amount at end of the period/year	699,756	699,956

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 11. Investment Properties (continued)

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

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

**Notes to Interim Condensed Consolidated Financial Statements**  
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## 12. Trade Receivables

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Trade receivables	363,120	233,510
Impairment	(3,089)	(3,718)
	<b>360,031</b>	<b>229,792</b>

The Group's trading terms with its customers are mainly on credit. The Group grants different credit periods to customers. The credit terms range from telegraphic transfers before shipment, letters of credit at sight to 90 days and telegraphic transfers within 14 to 150 days. The credit period of individual customers is considered on a case-by-case basis. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

**Notes to Interim Condensed Consolidated Financial Statements**  
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## 12. Trade Receivables (continued)

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

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Within 90 days	318,720	202,656
91 to 180 days	26,972	17,339
Over 180 days	14,339	9,797
	<b>360,031</b>	<b>229,792</b>

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

	Six months ended 31 December 2021 HK\$'000 (Unaudited)	Year ended 30 June 2021 HK\$'000 (Audited)
At beginning of period/year (Reversal of impairment losses)/ impairment losses, net	3,718	2,323
	(629)	1,395
At the end of period/year	<b>3,089</b>	<b>3,718</b>

**Notes to Interim Condensed Consolidated Financial Statements**  
For the six months ended 31 December 2021

## 12. Trade Receivables (continued)

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

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

### **As at 31 December 2021 (Unaudited)**

	Past due				
	Less than		3 to 6	Over	Total
	Current	3 months	months	6 months	
Expected credit loss rate	0.15%	0.34%	4.35%	18.75%	0.85%
Gross carrying amount (HK\$'000)	238,221	110,936	1,772	12,191	363,120
Expected credit loss (HK\$'000)	348	378	77	2,286	3,089

### **As at 30 June 2021 (Audited)**

	Past due				
	Less than		3 to 6	Over	Total
	Current	3 months	months	6 months	
Expected credit loss rate	0.18%	0.44%	5.27%	26.22%	1.59%
Gross carrying amount (HK\$'000)	157,284	62,184	2,467	11,575	233,510
Expected credit loss (HK\$'000)	279	274	130	3,035	3,718

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

## 13. Interest-Bearing Bank Borrowings/Lease Liabilities

	As at 31 December 2021 (Unaudited)			As at 30 June 2021 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Lease liabilities	0.78–5.00	2021	23,214	0.78–5.00	2021	41,623
Bank loans – secured	1.0–2.4	On demand	102,394	1.0–2.4	On demand	126,599
			125,608			168,222
<b>Non-current</b>						
Lease liabilities	0.78–5.00	2022–2026	15,982	0.78–5.00	2022–2026	42,563

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

### 13. Interest-Bearing Bank Borrowings/Lease Liabilities (continued)

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

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

	As at 31 December 2021 (Unaudited)		As at 30 June 2021 (Audited)	
	Maturity	HK\$'000	Maturity	HK\$'000
Bank loans – secured	2020-2022	102,394	2020-2022	126,599
Analyzed into:				
Bank loans repayable:				
Within one year or on demand		102,394		126,599
In the second year		–		–
		102,394		126,599

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

## 14. Trade and Bills Payables

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

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Within 90 days	227,852	199,380
91 to 180 days	15,395	7,747
181 to 365 days	257	1,534
Over 365 days	2,123	1,593
	245,627	210,254

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

Notes to Interim Condensed Consolidated Financial Statements  
For the six months ended 31 December 2021

## 15. Share Capital and Treasury Shares

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

### **Shares:**

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Issued and fully paid:		
962,702,000 (30 June 2021: 962,702,000) ordinary shares)	96,270	96,270
Treasury shares:		
2,728,000 (30 June 2021: 2,728,000) ordinary shares (note 17)	273	273
	<b>96,543</b>	<b>96,543</b>

## 16. Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2021 (30 June 2021: nil).

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 17. Share Award Scheme

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

The share award scheme shall be valid for a term of three years, commencing from the date of grant of the share award on 12 July 2018 and ending on the date on which all the awarded shares have been granted or otherwise cancelled. As the vesting condition of first tranche was fulfilled by the grantees, 2,792,000 treasury shares were vested to the grantees on 12 July 2019. As the vesting condition of second tranche was fulfilled by the grantees, 3,000,000 treasury shares were vested to the grantees on 12 July 2020.

The vesting condition of third tranche was not fulfilled because of the market conditions by the grantees, 3,208,000 treasury shares were not vested to the grantees on 12 July 2021.

The Group did not recognize an expense of for the six months ended 31 December 2021 (for the six months ended 31 December 2020: HK\$1,069,000).

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 2021

## 18. Related Party Transactions

- (a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with related parties during the six months ended 31 December 2021:

	<b>For the six months ended 31 December</b>	
	<b>2021</b> HK\$'000 (Unaudited)	<b>2020</b> HK\$'000 (Unaudited)
Property lease from a company of which a Director of the Company is a controlling shareholder 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 2021

18. Related Party Transactions (continued)

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

	<b>For the six months ended 31 December</b>	
	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Short term employee benefits	5,683	5,870
Post-employment benefits	78	54
Equity-settled share award expense	–	314
Total compensation paid to key management personnel	5,761	6,238

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

### 19. Events After the Reporting Period

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

Since the 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 by the Company.

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

The interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on 28 February 2022.