

# 2020 INTERIM REPORT

# SIToy



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1023

SIToytower

時代中心





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## Corporate Information

### Board of Directors

#### **Executive Directors**

Mr. Yeung Michael Wah Keung (*Chairman*)

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

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

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

#### **Independent Non-executive Directors**

Mr. Yeung Chi Tat

Mr. Kwan Po Chuen, Vincent

Mr. Lung Hung Cheuk

### Authorised Representatives

Mr. Yeung Wo Fai

Dr. Lau Kin Shing, Charles

### Company Secretary

Dr. Lau Kin Shing, Charles

### Registered Office

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

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

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

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

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

### Board Committees

#### **Audit Committee**

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

#### **Remuneration Committee**

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

#### **Nomination Committee**

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

## Corporate Information

### Legal Adviser as to Hong Kong Laws

Woo Kwan Lee & Lo

### Principal Bankers

The Hongkong and Shanghai  
Banking Corporation Limited  
Hang Seng Bank Limited

### Cayman Islands Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Auditors

Ernst & Young

### Stock Code

1023

### Company Website

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

## Management Discussion and Analysis

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

### Business Review

#### **Retail business**

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

The Group manages a retail business platform with quality handbags and leather goods as its core products. As at 31 December 2019, there were six brands under its belt. Among these brands, TUSCAN’S and Fashion & Joy are self-owned brands of the Group. TUSCAN’S is a brand of high quality handbags originated in Italy, while Fashion & Joy is a self-developed brand focusing on stylish travel luggage and business accessories designed and expertly crafted for bold and young trend-setters. a.testoni and its diffusion line i29 are leading luxury labels the Group acquired in 2018. Kenneth Cole and Cole Haan are licensed to the Group to operate exclusively in Hong Kong and China.

## Management Discussion and Analysis



*Kenneth Cole Fall Winter  
2019*

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

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

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

## Management Discussion and Analysis

### Manufacturing business

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

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

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

Cost optimisation is one of the Group's key strategies to maintain considerable returns. Despite rising labour cost and keener competition, the Group continuously upgrades itself to meet the higher requirements of both existing and new customers, which include sourcing high quality raw materials at competitive prices, upgrading production facilities, continuing to optimise and streamline production procedures to boost competitiveness and satisfying brand customers' demands. The Group has made its best endeavours to tap new opportunities under a challenging business environment.

## Management Discussion and Analysis

### Property investment business

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

### Product Research, Development and Design

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

## Management Discussion and Analysis

### Prospect

#### Retail business

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

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

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

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



*F&J Fall Winter 2019*

## Management Discussion and Analysis

### **Manufacturing business**

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

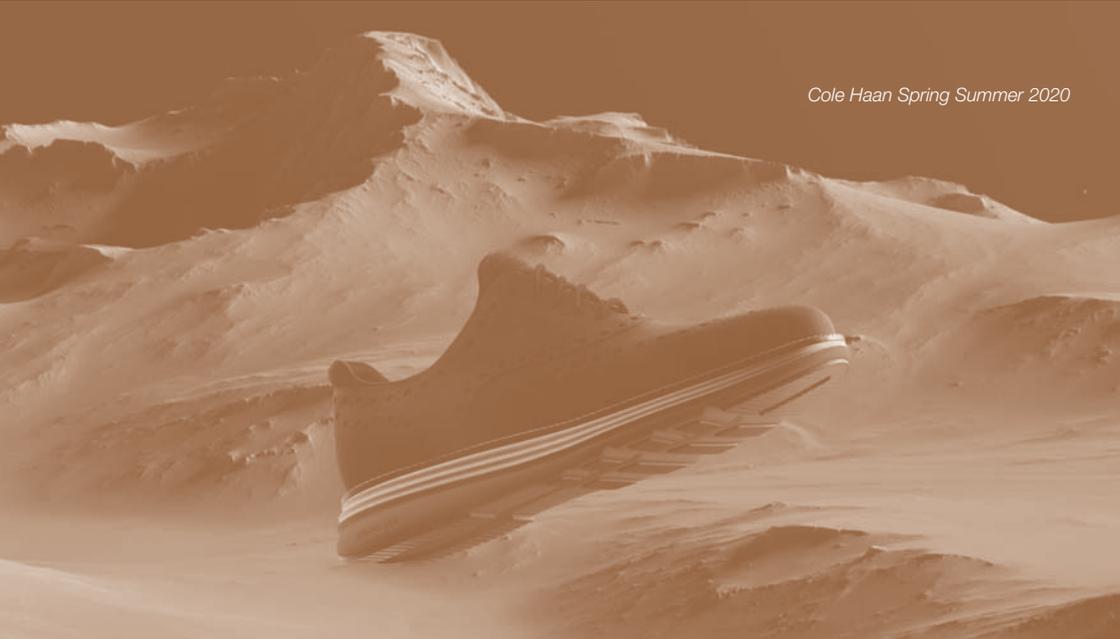
The Group has successfully diversified customer mix and product mix – a trend which is expected to continue in the coming six months. Certain European and Asian countries and areas, including Hong Kong and China, are expected to be the major markets of the Group, which is consistent with the Group's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

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

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

### **Property investment business**

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



*Cole Haan Spring Summer 2020*

## Management Discussion and Analysis

### Financial Review

#### Revenue

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

#### Cost of sales

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

#### Gross profit and gross profit margin

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

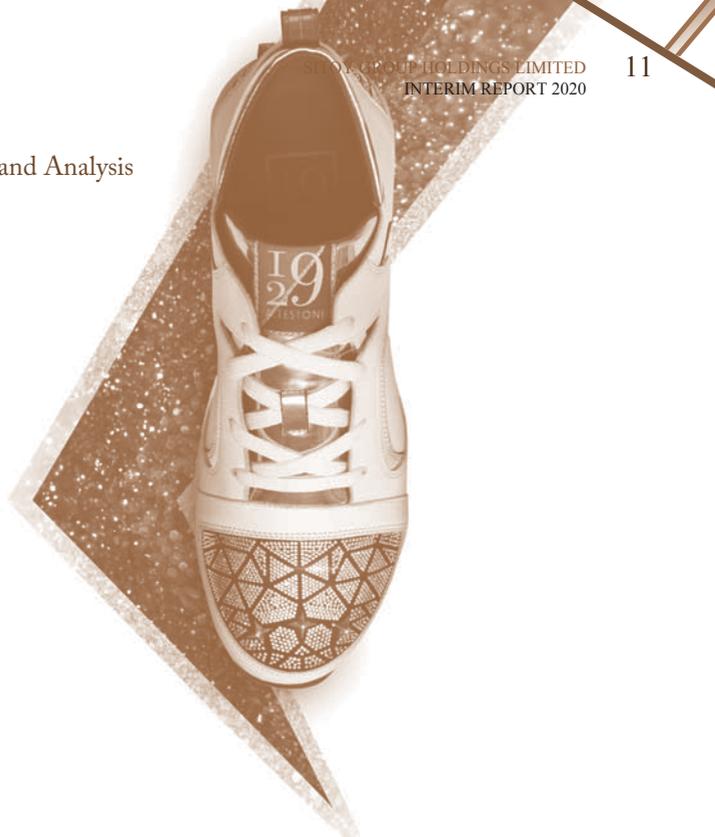
#### Selling and distribution expenses

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

#### Administrative expenses

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

## Management Discussion and Analysis



*129 Spring Summer 2019*

### **Income tax expense**

Under the current laws of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the Cayman Islands or the BVI.

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

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

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

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

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

## Management Discussion and Analysis

### Profit for the Period

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

### Investment properties

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

#### *As at 31 December 2019 and 30 June 2019*

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

## Management Discussion and Analysis

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

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

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

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

## Management Discussion and Analysis

### Capital expenditure

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

### Significant investments

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

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

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

### Treasury policy

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

### Liquidity and financial resources

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

## Management Discussion and Analysis

### Foreign exchange risk

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

### Pledge of Assets

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

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

### Inventory turnover days

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

### Trade receivables turnover days

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

### Trade payables turnover days

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

## Management Discussion and Analysis

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

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

### Employees

As at 31 December 2019, the Group had about 7,800 employees. In addition to the basic salaries, performance bonuses will be offered to those staff members with good performance. The PRC subsidiaries of the Group are subject to social insurance, provident housing fund and certain other employee benefits in accordance with the PRC laws and regulations and adhere to both statutory employment standards and those requested by customers, such as minimum wage levels and maximum working hours. Moreover, the Group provides staff quarters for most employees and, in case of certain senior employees, family quarters. The Group also provides various amenities and recreation facilities such as canteen, sports site, library and internet centre for the employees. The Group will continue to improve the working environment in the manufacturing facilities and the living facilities for the employees. The Directors believe that the remuneration packages and fringe benefits offered by the Group to its staff members are competitive in comparison with market standards and practices. Since human resource management is an important factor in maintaining and further enhancing the Group's strong expertise and know-how in the craftsmanship of handbags, small leather goods and travel goods, the in-house employee training centre provides pre-job training programs to the new recruits before they are assigned to work at the manufacturing facilities of the Group. From time to time, different levels of on-the-job training will be provided to the employees to broaden their skills and enhance their productivity.

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

### Dividend, Record and Payment Dates

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

## Management Discussion and Analysis

### Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 1 April 2020 and Thursday, 2 April 2020, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 31 March 2020.

SITOUY tower

時代中心

層高 3.8M  
HEADROOM 3.8M

## Corporate Governance and Other Information

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

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

#### (a) Long positions

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

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

## Corporate Governance and Other Information

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

### **(b) Rights to acquire shares of the Company**

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

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

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

## Corporate Governance and Other Information

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

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

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

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

### Directors' and relevant employees' securities transactions

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

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

Relevant employees who are likely to be in possession of inside information of the Group are also subject to written guidelines on no less exacting terms than those in the Model Code.

No incident of non-compliance with these guidelines by the relevant employees for the six months ended 31 December 2019 was noted by the Company.

## Corporate Governance and Other Information

### Change in Directors' information

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

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

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

### Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to its shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as risk management and internal control, fair disclosure and accountability to all shareholders of the Company to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for the shareholders of the Company. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for the shareholders of the Company.

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

## Corporate Governance and Other Information

### **Audit Committee**

The Company established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management over financial reporting system and internal control systems of the Group. The audit committee comprises Mr. Yeung Chi Tat (Chairman), Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk, all of whom are independent non-executive Directors. The interim condensed consolidated financial statements for the six months ended 31 December 2019 have not been audited, but the audit committee has discussed with the management of the Company and the external auditors, Ernst & Young, on the appropriateness and consistency of the accounting policies that have been adopted by the Company. In addition, Ernst & Young has performed certain agreed upon procedures in accordance with the request of the audit committee regarding the interim results and the interim report for the six months ended 31 December 2019 and reported to the audit committee accordingly. The audit committee has reviewed the interim results and the interim report of the Group for the six months ended 31 December 2019.

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

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

## Corporate Governance and Other Information

### Share Option Scheme

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

As at 31 December 2019, share options to subscribe for 4,500,000 ordinary shares of HK\$0.10 each of the Company have been vested and are issuable for the outstanding share options granted under the Share Option Scheme.

Details of the movements of the share options under the Share Option Scheme during the six months ended 31 December 2019 are as follows:

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

#### Notes:

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

## Corporate Governance and Other Information

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

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

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

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

### Share Award Scheme

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

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

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

## Corporate Governance and Other Information

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

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

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

### Board of Directors

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

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

**Yeung Michael Wah Keung**  
*Chairman*

Hong Kong, 24 February 2020

## Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 31 December 2019

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

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

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2019

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

## Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2019

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

## Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2019

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

**Yeung Wo Fai**  
Director

**Lau Kin Shing, Charles**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

|   | Attributable to owners of the Company |                 |                              |   |                             |                                     |  |                                 |   |                               |           |                       |              |
|---|---------------------------------------|-----------------|------------------------------|---|-----------------------------|-------------------------------------|--|---------------------------------|---|-------------------------------|-----------|-----------------------|--------------|
|   | Share                                 |                 |                              |   |                             |                                     |  |                                 |   |                               |           | Non-                  |              |
|   | Share capital                         | Treasury shares | premium account <sup>1</sup> | option/ <sup>2</sup> award reserve <sup>3</sup> | Merger reserve <sup>4</sup> | Statutory reserve fund <sup>5</sup> | Asset revaluation reserve <sup>6</sup> | Fair value reserve <sup>7</sup> | Exchange fluctuation reserve <sup>8</sup> | Retained profits <sup>9</sup> | Total     | controlling interests | Total equity |
|   | HK\$'000                              | HK\$'000        | HK\$'000                     | HK\$'000  | HK\$'000                    | HK\$'000                            | HK\$'000                               | HK\$'000                        | HK\$'000                                  | HK\$'000                      | HK\$'000  | HK\$'000              | HK\$'000     |
| At 1 July 2019  | 96,543                                | (19,910)        | 924,014                      | 15,444  | 4,030                       | 69,984                              | 24,688                                 | 307                             | (107,031)                                 | 1,057,230                     | 2,065,299 | (5,208)               | 2,060,091    |
| Profit/(loss) for the period                              | -                                     | -               | -                            | -   | -                           | -                                   | -                                      | -                               | -   | 45,984                        | 45,984    | (3,790)               | 42,194       |
| Other comprehensive income for the period:                |                                       |                 |                              |   |                             |                                     |  |                                 |   |                               |           |                       |              |
| Exchange differences on translation of foreign operations | -                                     | -               | -                            | -   | -                           | -                                   | -                                      | -                               | (23,293)                                  | -                             | (23,293)  | -                     | (23,293)     |
| Total comprehensive income/(loss) for the period          | -                                     | -               | -                            | -   | -                           | -                                   | -                                      | -                               | (23,293)                                  | 45,984                        | 22,691    | (3,790)               | 18,901       |
| Equity-settled share award arrangement                    | -                                     | -               | -                            | 2,569   | -                           | -                                   | -                                      | -                               | -   | -                             | 2,569     | -                     | 2,569        |
| Equity-settled share award vested                         | -                                     | 6,525           | (941)                        | (5,584)   | -                           | -                                   | -                                      | -                               | -   | -                             | -         | -                     | -            |
| Dividends   | -                                     | -               | -                            | -   | -                           | -                                   | -                                      | -                               | -   | (19,194)                      | (19,194)  | -                     | (19,194)     |
| Transfer from retained profits                            | -                                     | -               | -                            | -   | -                           | 4,442                               | -                                      | -                               | -   | (4,442)                       | -         | -                     | -            |
| At 31 December 2019 (unaudited)                           | 96,543                                | (13,385)        | 923,073                      | 12,429  | 4,030                       | 74,426                              | 24,688                                 | 307                             | (130,324)                                 | 1,079,578                     | 2,071,365 | (8,998)               | 2,062,367    |

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

|   | Attributable to owners of the Company |                 |                        |                    |                |                        |                           |                              |                   |           |                           |              |
|---|---------------------------------------|-----------------|------------------------|--------------------|----------------|------------------------|---------------------------|------------------------------|-------------------|-----------|---------------------------|--------------|
|   | Share                                 |                 |                        |                    |                |                        |                           |                              |                   |           | Non-controlling interests | Total equity |
|   | Share capital                         | Treasury shares | Share premium account* | Share option/award | Merger reserve | Statutory fund reserve | Asset revaluation reserve | Exchange fluctuation reserve | Retained profits* | Total     |                           |              |
|   | HK\$'000                              | HK\$'000        | HK\$'000               | HK\$'000           | HK\$'000       | HK\$'000               | HK\$'000                  | HK\$'000                     | HK\$'000          | HK\$'000  | HK\$'000                  | HK\$'000     |
| At 1 July 2018  | 100,153                               | -               | 1,010,081              | 4,606              | 4,030          | 60,980                 | 24,688                    | (57,756)                     | 1,055,498         | 2,202,280 | (304)                     | 2,201,976    |
| Profit/(loss) for the period                              | -                                     | -               | -                      | -                  | -              | -                      | -                         | -                            | 114,819           | 114,819   | (5,851)                   | 109,968      |
| Other comprehensive income for the period:                |                                       |                 |                        |                    |                |                        |                           |                              |                   |           |                           |              |
| Exchange differences on translation of foreign operations | -                                     | -               | -                      | -                  | -              | -                      | -                         | (35,537)                     | -                 | (35,537)  | -                         | (35,537)     |
| Total comprehensive income for the period                 | -                                     | -               | -                      | -                  | -              | -                      | -                         | (35,537)                     | 114,819           | 79,282    | (5,851)                   | 73,431       |
| Acquisition of subsidiaries                               | -                                     | -               | -                      | -                  | -              | -                      | -                         | -                            | -                 | -         | 7,872                     | 7,872        |
| Equity-settled share award arrangement                    | -                                     | -               | -                      | 5,362              | -              | -                      | -                         | -                            | -                 | 5,362     | -                         | 5,362        |
| Equity-settled share option arrangement                   | -                                     | -               | -                      | 115                | -              | -                      | -                         | -                            | -                 | 115       | -                         | 115          |
| Repurchase of shares                                      | (3,610)                               | (19,910)        | (86,067)               | -                  | -              | -                      | -                         | -                            | (109,587)         | -         | -                         | (109,587)    |
| Dividends   | -                                     | -               | -                      | -                  | -              | -                      | -                         | -                            | (57,415)          | (57,415)  | -                         | (57,415)     |
| Transfer from retained profits                            | -                                     | -               | -                      | -                  | -              | 96                     | -                         | -                            | (96)              | -         | -                         | -            |
| At 31 December 2018 (unaudited)                           | 96,543                                | (19,910)        | 924,014                | 10,083             | 4,030          | 61,076                 | 24,688                    | (93,293)                     | 1,112,806         | 2,120,037 | 1,717                     | 2,121,754    |

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

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

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

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

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

# Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 1. Corporate information

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

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

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

## 2.1 Basis of Preparation

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

### 2.2 Significant Accounting Policies

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

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

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

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

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

### 2.2 Significant Accounting Policies (continued)

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

#### **New definition of a lease**

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

#### **As a lessee – Leases previously classified as operating leases**

##### *Nature of the effect of adoption of IFRS 16*

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

### 2.2 Significant Accounting Policies (continued)

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

##### *Impact on transition*

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

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 2.2 Significant Accounting Policies (continued)

**Financial impact at 1 July 2019**

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

### 3. Operating Segment Information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (a) Retail: manufactures, retails and wholesales handbags, small leather goods, travel goods, footwear and fashion products for the brands owned or licensed by the Group, and provision of handbag and accessories design, advertising and marketing services;
- (b) Manufacturing: produces handbags, small leather goods and travel goods for branding and resale by others; and
- (c) Property investment: invests in office space for its rental income or capital appreciation purpose.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except corporate and unallocated expenses are excluded from this measurement.

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. Operating Segment Information (continued)

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. Operating Segment Information (continued)

**For the six months ended 31 December 2018 (unaudited)**

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. Operating Segment Information (continued)

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

**As at 31 December 2019 (unaudited)**

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. Operating Segment Information (continued)

**As at 30 June 2019 (audited)**

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. Operating Segment Information (continued)

**Geographical information**

(a) Revenue from external customers

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 3. Operating Segment Information (continued)

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 4. Revenue, Other Income and Gains

**Information about major customers**

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

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

An analysis of revenue is as follows:

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

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

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

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

*(ii) Performance obligations*

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

*Retail*

The performance obligation is satisfied upon delivery of the goods.

*Manufacturing*

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

**Other income and gains**

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 5. Profit Before Tax

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

### 6. Income Tax Expense

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

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

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 6. Income Tax Expense (continued)

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 7. Dividends

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 8. Earnings Per Share

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

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

For the six months ended 31 December 2019, the calculation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of the shares of the Company (six months ended 31 December 2018: nil).

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 8. Earnings Per Share (continued)

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

## 9. Property, Plant and Equipment

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 10. Investment Properties

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 10. Investment Properties (continued)

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 11. Leases

**The Group as lessee**

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 11. Leases (continued)

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

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

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

*(c) Lease liabilities*

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 11. Leases (continued)

**The Group as lessee (continued)**

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

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

(e) *Variable lease payments*

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 11. Leases (continued)

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 12. Trade Receivables

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

The Group's trading terms with its customers are mainly on credit. The Group grants different credit periods to customers. The credit terms range from telegraphic transfers before shipment, letters of credit at sight to 90 days and telegraphic transfers within 14 to 105 days. The credit period of individual customers is considered on a case-by-case basis. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 12. Trade Receivables (continued)

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 12. Trade Receivables (continued)

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

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

**As at 31 December 2019 (Unaudited)**

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

**As at 30 June 2019 (Audited)**

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 13. Interest-Bearing Bank Borrowings

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

### 14. Trade Payables

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 15. Share Capital and Treasury Shares

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

**Shares:**

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

## 16. Contingent Liabilities

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

### 17. Share Award Scheme

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 18. Commitments

**(a) Operating lease commitments as at 30 June 2019**

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

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

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

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

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 19. Related Party Transactions

**(a) (continued)**

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

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

In the opinion of the Directors, the above related party transactions were on normal commercial terms or better and in the ordinary and usual course of business of the Group.

## Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

## 19. Related Party Transactions (continued)

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

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

## 20. Events After the Reporting Period

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

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

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

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

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

# 2020 中期報告

# SIToy



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

(於開曼群島註冊成立的有限公司)

股份代號:1023