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WAH SUN HANDBAGS INTERNATIONAL HOLDINGS LIMITED
華新手袋國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2683)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINAL RESULTS

The board of directors (the "**Directors**" and the "**Board**", respectively) of Wah Sun Handbags International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the audited consolidated results of the Group for the year ended 31 March 2018 (the "**Year**") together with the comparative figures for the year ended 31 March 2017 ("**Year 2017**").

FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Revenue	**697,492**	677,214
Gross profit margin	**21.8%**	20.6%
Profit attributable to owners of the Company	**45,578**	54,931
Adjusted profit attributable to owners of the Company (excluding listing expenses)	**69,856**	59,056
Net profit margin	**6.5%**	8.1%
Adjusted net profit margin (excluding listing expenses)	**10.0%**	8.7%
Earnings per share *(expressed in HK cents)*	**14.2**	18.3
Adjusted earnings per share (excluding listing expenses) *(expressed in HK cents)*	**21.8**	19.7
Final dividend per share *(expressed in HK cent)*	**1.0**	N/A

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

		Year ended 31 March	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**697,492**	677,214
Cost of sales	*5*	**(545,228)**	(537,597)
Gross profit		**152,264**	139,617
Other income	*4*	**57**	35
Other gains/(losses), net	*4*	**2,920**	(6,100)
Selling and distribution expenses	*5*	**(33,145)**	(28,792)
Administrative expenses	*5*	**(63,954)**	(40,236)
Operating profit		**58,142**	64,524
Finance income	*6*	**122**	476
Finance costs	*6*	**(2,399)**	(1,686)
Finance costs, net	*6*	**(2,277)**	(1,210)
Profit before income tax		**55,865**	63,314
Income tax expense	*7*	**(10,287)**	(8,383)
Profit for the year attributable to owners of the Company		**45,578**	54,931
		HK cents	*HK cents*
Basic and diluted earnings per share for profit attributable to owners of the Company	*9*	**14.2**	18.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**45,578**	54,931
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss		
− Currency translation differences	**1,095**	(1,163)
Total comprehensive income for the year attributable to owners of the Company	**46,673**	53,768

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

		As at 31 March	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**350**	394
Property, plant and equipment		**45,666**	42,140
Deposits paid for plant and equipment	*11*	**1,213**	–
		47,229	42,534
Current assets			
Inventories	*10*	**104,278**	46,216
Trade receivables	*11*	**125,001**	98,108
Prepayments, deposits and other receivables	*11*	**13,572**	11,246
Amount due from a director		–	10,643
Amounts due from related parties		–	8,180
Current income tax recoverable		**1,127**	379
Pledged bank deposits		**22,360**	20,251
Cash and cash equivalents		**108,900**	51,365
		375,238	246,388
Total assets		**422,467**	288,922

	Notes	As at 31 March 2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,086**	–
Share premium		**109,611**	–
Exchange reserve		**3,359**	2,264
Capital reserve		**21,656**	21,656
Retained earnings		**69,878**	44,300
Total equity		**208,590**	68,220
LIABILITIES			
Non-current liabilities			
Borrowings		–	96
Deferred income tax liabilities		**752**	49
		752	145
Current liabilities			
Trade and bills payables	*12*	**166,030**	118,285
Accruals and other payables	*12*	**24,268**	11,800
Amounts due to directors		–	49,022
Amount due to a related party		–	1,527
Current income tax liabilities		**2,675**	4,387
Borrowings		**20,152**	35,536
		213,125	220,557
Total liabilities		**213,877**	220,702
Total equity and liabilities		**422,467**	288,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information of the Group

The Company was incorporated in the Cayman Islands on 29 May 2017 as an exempted limited liability company under Companies Law (Cap. 22 Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Room 9, 6/F., Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries principally manufacture and trade hand-bag products (the "**Business**"). The ultimate holding company of the Company is Wah Sun International Holdings Limited ("**Wah Sun Holdings**"), incorporated in the British Virgin Islands (the "**BVI**"). The ultimate controlling parties of the Group are all family members within Ma Family namely Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee who have entered into acting in concert agreement.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 22 January 2018 (the "**Listing**").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of reorganisation (the "**Reorganisation**"), as described below, the Business was carried out by the companies now comprising the Group (the "**Operating Companies**"), which were collectively controlled by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee (the "**Controlling Shareholders**").

The Group underwent the Reorganisation, pursuant to which the companies engaged in the Business were transferred to the Company. The Reorganisation involved the followings:

(a) On 25 May 2017, Wah Sun Global Development Limited ("**Wah Sun BVI**") was incorporated in the BVI with its ordinary share allotted and issued to Wah Sun Holdings.

(b) On 29 May 2017, the Company was incorporated in the Cayman Islands with 1 share issued and allotted to Wah Sun Holdings, which is ultimately controlled by the Controlling Shareholders.

(c) On 9 June 2017, Wah Sun BVI acquired the entire issued share capital of Union Gold Holdings Limited ("**Union Gold**") from Ms. Wu Yu Ling (the spouse of and as instructed by Mr. Ma Hing Ming), Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Ms. Dong Yan (holding a trust for Mr. Ma Hing Man) at a consideration of US$5. The consideration was satisfied by the allotment and issue of five new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.

(d) On 16 June 2017, Union Gold acquired the entire issued share capital of Dongguan Quickmind Handbag Factory Co., Ltd* ("**Dongguan Quickmind**") at a consideration of HK$13,860,000 from Mr. Ma Hiu Fai and Mr. Ma Wing Yin (holding a trust for Wah Sun Hand-Bag Factory Co. Limited ("**Wah Sun HK**")), its then shareholders. The consideration was satisfied by the allotment and issue of 10 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.

(e) On 5 July 2017, Mr. Ma Yum Chee and Ms. Ma Lan Heung acquired 2 ordinary shares of Wah Sun HK from each of Mr. Ma Hiu Fai and Mr. Ma Wing Yin at nil consideration.

(f) On 11 July 2017, Wah Sun BVI acquired the entire issued share capital of Wah Sun HK from the Controlling Shareholders at a consideration of US$20. The consideration was satisfied by the allotment and issue of 20 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.

(g) On 8 September 2017, Wah Sun BVI acquired the entire issued share capital of Wah Sun HK Factory (Cambodia) Co., Ltd. ("**Wah Sun Cambodia**") from Mr. Ma Hing Ming, Ms. Ma Lan Chu and Ms. Dong Yan (all holding a trust for Wah Sun HK) at a consideration of US$15. The consideration was satisfied by the allotment and issue of 15 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.

(h) On 11 December 2017, the Company acquired the entire issued share capital of Wah Sun BVI at a consideration of US$51 from Wah Sun Holdings. The consideration was satisfied by the allotment and issue of 9,999 new shares in the Company credited as fully paid to Wah Sun Holdings.

Upon the completion of the Reorganisation as described above, the Company became the holding company of the subsidiaries now comprising the Group.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business is mainly conducted through Wah Sun HK, Union Gold, Dongguan Quickmind and Wah Sun Cambodia (collectively referred as to the "**Operating Companies**"). Pursuant to the Reorganisation, the Business was transferred to and held by the Company. The Company and the newly incorporated subsidiaries have not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in the Controlling Shareholders and management. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Business conducted through the Operating Companies and the consolidated financial statements of the Group have been prepared and presented as a continuation of the consolidated financial statements of the Operating Companies, with the results, assets and liabilities recognised and measured at the carrying amounts of the Business under the consolidated financial statements for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies now comprising the Group are eliminated on combination.

* *For identification purpose only*

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 April 2017:

HKAS 7 (Amendment)	Statement of cash flows — disclosure initiative
HKAS 12 (Amendment)	Income taxes — recognition of deferred tax assets for unrealised losses
HKFRS 12 (Amendment)	Disclosure of interest in other entities

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's results and financial position.

(b) New and amended standards not yet adopted by the Group

The following new standards and amendments to standards have been issued but are yet effective for the financial year beginning 1 April 2017. They are relevant to the Group but have not been early adopted:

		Effective for accounting periods beginning on or after	*Note*
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018	
HKAS 40 (Amendment)	Transfer of investment property	1 January 2018	
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018	
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	*Note (i)*
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019	
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	

		Effective for accounting periods beginning on or after	*Note*
HKFRS 15	Revenue from contracts with customers	1 January 2018	*Note (ii)*
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018	
HKFRS 16	Leases	1 January 2019	*Note (iii)*
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration	1 January 2018	
HK (IFRIC) – Int 23	Uncertainty over income tax treatments	1 January 2019	
Annual improvements project	2014 – 2016 projects	1 January 2018	

Note (i):

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in FVOCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in FVOCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in FVOCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

Based on an analysis of the Group's financial instruments as at 31 March 2018, the Directors do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

HKFRS 9 also introduces a new model for the recognition of impairment losses the expected credit losses ("**ECL**") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The historical credit losses are immaterial.

Based on the historical experience of the Group, the default rates of the outstanding balances with customers and related parties are low. Hence, the Directors do not expect that the application of HKFRS 9 would result in a significant impact on the Group's impairment provisions.

In the opinion of the Directors, the application of HKFRS 9 would not have a material impact on the Group's financial position and results of operations. The Group does not intend to adopt HKFRS 9 before its mandatory date.

Note (ii):

HKFRS 15 "Revenue from contracts with customers" This new standard establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 "Revenue", which covers revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction contracts", which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its consolidated financial statements. Based on the preliminary assessment, the Group has identified the following area which is likely to be affected:

Timing of revenue recognition

Currently, revenue arising from the sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services are regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sales of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Management has performed a preliminary assessment and expects that the application of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption.

Note (iii):

HKFRS 16 "Leases" The Group is a lessee of its office buildings and land which are currently classified as operating leases.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statement of financial position. Instead, all long-term leases must be recognised in the consolidated statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated statement of financial position. In the consolidated income statement, rental expenses will be replaced with depreciation and interest expense. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term.

As at 31 March 2018, the Group has aggregate minimum lease payments, which are not reflected in the consolidated statement of financial position, under non-cancellable operating lease of approximately HK$12,816,000. Out of this balance, HK$9,384,000 relates to operating leases with original lease terms of over 1 year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations as described above upon the initial application of HKFRS 16.

Apart from the effects as outlined above, the Directors do not expect that the application of HKFRS 16 would have a material impact on the Group's financial position and results of operations. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020.

Other than those analysed above, the Directors do not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Directors. The Directors consider the business from a product perspective which is the manufacture and trading of hand-bag products. As the Group has only one operating segment qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the Directors for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in these consolidated financial statements.

The amounts provided to the Directors with respect to total assets and total liabilities are measured in a manner consistent with that in the consolidated statements of financial position.

Geographical information

The Company is domiciled in Hong Kong. The revenue from customers in United States of America for the Year are HK$468,758,000 (Year 2017: HK$471,477,000), the revenue from customers in Spain are HK$86,028,000 (Year 2017: HK$65,837,000), and the total revenue from customers in other countries are HK$142,706,000 (Year 2017: HK$139,900,000). For the purpose of classification, the geographical source of revenue is determined based on the destination of the goods delivered to customers. Revenues from the individual countries included in other countries are not material.

The non-current assets information below is based on the location of assets and excludes deposits paid for plant and equipment.

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
The People's Republic of China (the "**PRC**")	**9,118**	10,990
Hong Kong	**1,201**	1,276
Cambodia	**35,697**	30,268
	46,016	42,534

Information about major customers

Revenue from the Group's major customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Customer A	**191,391**	130,532
Customer B	**98,859**	74,836
Customer C	**96,130**	61,556
Customer D	**82,001**	50,805
Customer E	**76,232**	91,346
Customer F	**49,978**	177,942
	594,591	587,017

4. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

An analysis of revenue, other income and other gains/(losses), net is as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Revenue:		
Sales of goods	**697,492**	677,214
Other income:		
Sundry income	**57**	35
Other gains/(losses), net:		
Realised losses on derivative financial instruments	**–**	(10,315)
Net losses on disposal of property, plant and equipment	**(32)**	(1,067)
Net exchange gains	**1,678**	3,101
Gain on sales of scrap materials	**1,274**	2,181
	2,920	(6,100)
	2,977	(6,065)

5. EXPENSES BY NATURE

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**311,937**	326,870
Tooling and cutting mould expenses	**13,564**	9,398
Packing expenses	**6,314**	3,181
Sub-contracting charges	**60,582**	101,547
Transportation and customs charges	**27,609**	23,262
Operating lease rental in respect of land and building	**3,111**	1,374
Employee benefit expense	**157,029**	108,591
Auditor's remuneration		
– Audit services	**1,570**	200
Travelling expenses	**1,152**	1,285
Entertainment expenses	**966**	991
Listing expenses	**24,278**	4,125
Amortisation on land use rights	**44**	44
Depreciation on property, plant and equipment	**8,224**	7,804
Legal and professional fees	**540**	438
Utilities	**5,581**	4,762
Repairs and maintenance	**752**	733
Provision for impairment of trade receivables *(Note 11)*	**1,565**	–
Donations	**1,436**	122
Other expenses	**16,073**	11,898
Total cost of sales, selling and distribution expenses and administrative expenses	**642,327**	606,625

6. FINANCE COSTS, NET

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Finance costs:		
– Interest expense on bank borrowings	**(892)**	(614)
– Interest expense on bills payables	**(1,498)**	(1,059)
– Interest expense on finance lease liabilities	**(9)**	(13)
	(2,399)	(1,686)
Finance income:		
– Interest income on bank deposits	**122**	476
Finance costs, net	**(2,277)**	(1,210)

7. INCOME TAX EXPENSE

The amount of income tax charged to the consolidated income statement represents:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**9,477**	7,669
– Overseas taxation	**5**	691
Under-provision in prior years	**102**	–
	9,584	8,360
Deferred income tax	**703**	23
	10,287	8,383

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Year (Year 2017: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to the Cambodia tax laws, Wah Sun HK Factory (Cambodia) Co., Ltd., one of the wholly owned subsidiaries of the Group, is entitled to preferential tax treatment with full exemption from Cambodia corporate income tax for four financial years starting from 1 January 2015.

8. DIVIDENDS

The Board has recommended the payment of a final dividend of HK1.0 cent per share (2017: Nil), amounting to an aggregate of approximately HK$4,086,000 (2017: Nil) for the Year. The proposed final dividend for the Year is subject to the approval by the shareholders of the Company (the "**Shareholders**") in the forthcoming annual general meeting of the Company (the "**AGM**"). These consolidated financial statements do not reflect this dividend payable.

The dividends declared and paid by the subsidiaries of the Company to their then shareholders during the years ended 31 March 2018 and 2017 were as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Dividends	**20,000**	40,000

The dividends related to Year 2017 of HK$40,000,000 were settled through current accounts with directors, who were also the then shareholders of the Company's subsidiaries.

9. EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issuance of shares in connection with the Reorganisation completed on 11 December 2017 and the shares issued pursuant to the Capitalisation Issue (as defined in Company's prospectus dated 10 January 2018 (the "**Prospectus**")) were deemed to have been in issue since 1 April 2016.

	Year ended 31 March	
	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**45,578**	54,931
Weighted average number of shares in issue *(thousands shares)*	**319,991**	300,000
Basic earnings per share *(HK cents)*	**14.2**	18.3

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 31 March 2018 (2017: Nil).

10. INVENTORIES

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Raw materials	**33,647**	31,180
Work-in-progress	**43,257**	8,713
Finished goods	**27,374**	6,323
	104,278	46,216

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated income statement amounted to HK$311,937,000 for the Year (Year 2017: HK$326,870,000).

11. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Trade Receivables	**126,566**	98,108
Less: provision for impairment of trade receivables	**(1,565)**	–
Trade receivables, net	**125,001**	98,108
Deposits	**1,075**	1,074
Prepayments	**6,355**	7,215
Value-added tax recoverable	**7,155**	2,786
Other receivables	**200**	171
	14,785	11,246
Less: non-current portion		
Deposits paid for plant and equipment	**(1,213)**	–
Current portion	**13,572**	11,246

The maximum exposure to credit risk as at 31 March 2018 was the carrying value of each class of receivables mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade and other receivables excluding prepayments and value-added tax recoverable approximate their fair values.

Note:

Trade receivables

The credit terms of trade receivables generally range from 30 to 90 days from the invoice date. As at 31 March 2018, the ageing analysis of the gross trade receivables based on the invoice date is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**36,072**	58,970
31 to 60 days	**39,705**	26,300
61 to 90 days	**38,237**	12,398
Over 90 days	**12,552**	440
	126,566	98,108

As at 31 March 2018, trade receivables of HK$30,687,000 (2017: HK$21,472,000) were past due but not impaired. These balances mainly related to a number of independent customers for whom there is no significant financial difficulty noted and based on past experience, the overdue amounts are deemed to be recoverable. The ageing analysis of these trade receivables based on due date is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
1 to 30 days	**19,437**	21,031
31 to 60 days	**8,342**	400
61 to 90 days	**2,415**	24
Over 90 days	**493**	17
Overdue but not impaired	**30,687**	21,472

As at 31 March 2018, trade receivables of HK$1,565,000 (2017: Nil) were impaired. The amount of provision for impairment was HK$1,565,000 as at 31 March 2018 (2017: Nil). The ageing of these trade receivables is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Over 90 days	**1,565**	–

Movements on the Group's provision for impairment of trade receivables are as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
As at 1 April	**–**	–
Provision for impairment	**1,565**	–
As at 31 March	**1,565**	–

The other classes within trade and other receivables do not contain impaired assets.

12. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Trade payables	**69,950**	76,236
Bills payables	**96,080**	42,049
	166,030	118,285
Accruals and other payables		
– Accrued salaries	**12,088**	9,747
– Accruals for listing expenses	**3,559**	1,456
– Other accruals and payables	**6,205**	597
– Receipt in advance from a customer	**2,416**	–
	24,268	11,800
	190,298	130,085

As at 31 March 2018, the carrying amounts of trade and bills payables, accruals and other payables approximate their fair values.

Trade and bills payables

As at 31 March 2018, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**60,758**	58,839
31 to 60 days	**74,321**	15,878
61 to 90 days	**25,354**	41,500
Over 90 days	**5,597**	2,068
	166,030	118,285

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Profitability analysis

Revenue

Our revenue is generated from the manufacture and sales of handbags stated net of returns and discounts. Our revenue was derived from a single segment with our different production bases.

Revenue generated by sales of products manufactured in Cambodia and Dongguan (including products manufactured by our sub-contractors at their own manufacturing facilities in the PRC) were set out below:

	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Cambodia	**487,028**	**69.8**	327,789	48.4
Dongguan	**210,464**	**30.2**	349,425	51.6
	697,492	**100.0**	677,214	100.0

The following table sets forth, for the periods indicated, the total revenue, the respective quantities sold and the respective average selling price:

	2018	2017
Revenue (HK$'000)	**697,492**	677,214
Quantities sold (Unit'000)	**13,841**	12,101
Average selling price (HK$/Unit)	**50.4**	56.0

The growth in our revenue was mainly attributable to the increase in demand from our customers as a result of (i) business needs for certain fast fashion brands; and (ii) benefit of preferential tariff treatment provided by various countries for products manufactured in Cambodia. The decrease in average selling price was due to different complexity of products sold.

Gross profit and gross profit margin

Our gross profit increased by HK$12.7 million, or approximately 9.1%, from HK$139.6 million in Year 2017 to HK$152.3 million this Year. Our gross profit margin also increased by 1.2%, from 20.6% in Year 2017 to 21.8% this Year, which was primarily due to the increase in production capacity in our Cambodia factory with higher gross profit margin due to its relatively lower staff costs and economies of scale compared to the production in the PRC. As handbags exported from Cambodia enjoy preferential tariff treatment in Canada, member states of the European Union and Japan, there is high demand for production capacity in Cambodia. Our Group therefore enjoyed a relatively higher gross profit margin for products manufactured in Cambodia. Further, with the increased production capacity in Cambodia, less orders were passed to subcontractors, this has further improved our Group's gross profit margin.

Administrative expenses

The Group's administrative expenses increased by HK$23.8 million, from approximately HK$40.2 million in Year 2017 to HK$64.0 million this Year. The increase was mainly attributable to the increase in non-recurring Listing expenses of approximately HK$20.2 million.

Net profit and adjusted net profit

During the Year, the Group reported a net profit of approximately HK$45.6 million (Year 2017: approximately HK$54.9 million), representing a decrease of approximately 16.9% as compared with that in Year 2017. If the non-recurring Listing expenses were excluded, the Group's adjusted net profit during the Year would be revised to approximately HK$69.9 million (Year 2017: approximately HK$59.1 million), representing an increase of approximately 18.3%.

Financial position, liquidity and financial resources

Borrowings

As at 31 March 2018, the Group had borrowings (including bank borrowings and finance leases) of approximately HK$20.2 million (Year 2017: approximately HK$35.6 million). Bank borrowings were secured by the pledged bank deposits of approximately HK$22.4 million (Year 2017: approximately HK$20.3 million).

The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

Working capital management

The Group has committed to maintaining sound financial policy. The Group continues to improve its operational efficiency in order to improve the healthiness of the working capital. The Group has normally funded the working capital requirements primarily through capital contributions from the Shareholders, bank borrowings and net cash generated from the operating activities. The Group also ensures that it has sufficient funds to meet its exiting and future cash requirements while providing sustainable and stable dividend return to the Shareholders.

Liquidity ratios

As at 31 March 2018, the Group had cash and cash equivalents of approximately HK$108.9 million (Year 2017: approximately HK$51.4 million). The Group's current ratio, gearing ratio and net debt to equity ratios are as follows:

	As at 31 March	
	2018	2017
Current ratio	**1.8**	1.1
Gearing ratio	**9.7%**	52.2%
Net debt to equity ratio	**Net cash**	Net cash

Current ratios are calculated based on the total current assets divided by the total current liabilities as at the respective dates.

Gearing ratios are calculated based on the total debt divided by total equity as at the respective dates and multiplied by 100%.

Net debt to equity ratios are calculated based on net debts (being total borrowings net of cash and cash equivalents) divided by total equity as at the respective dates.

The Group maintained net cash position and healthy current and gearing ratios, reflecting its healthy financial position.

Foreign currency exposure

The Group mainly operates in Hong Kong, Cambodia and the PRC with most of the transactions settled in HK$, US$ and RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to RMB.

As HK$ is pegged to US$, the management considered that the foreign exchange risk on US$ to the Group is minimal.

As at 31 March 2018 and 2017, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group.

EVENTS AFTER THE END OF THE YEAR

No important events affecting the Group have occurred subsequent to 31 March 2018 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

Under the principles of fairness and consistency, employee recruitment is based on assessment of an applicant's ability and experience as well as job requirements. To prevent the use of child labour, applicants' identification documents are carefully checked to ensure they have reached the minimum age. Our Group embraces diverse workforce and is committed to preventing any form of discrimination. Employees, regardless of their race, gender, age, marital status or religion, have equal access to opportunities within our Group.

Our Group provides competitive remuneration packages for the employees. An employee's remuneration package is determined on grounds of his or her qualification, position and seniority and is reviewed from time to time. Based on our human resources policy, performance evaluation is used as the basis for assessing the training demands and making other human resources policies such as promotion, position transfer and remuneration determination.

Our Group also provides insurances, medical benefits and retirement funds to employees so as to sustain the competitiveness of the Group.

With regular review, our executive Directors, independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and responsibilities of the respective Directors and senior management and the performance of our Group.

USE OF NET PROCEEDS FROM THE LISTING

On 22 January 2018 (the "**Listing Date**"), the shares in issue were initially listed on the Main Board of the Stock Exchange. A total of 108,626,000 shares were issued to the public at HK$1.18 per share for a total gross proceeds of approximately HK$128.2 million (the "**IPO**"). The total net proceeds raised from the IPO (the "**Net Proceeds**") were approximately HK$85.3 million after the deduction of related Listing expenses.

In light of the difference between the actual and estimated amount of the Net Proceeds, the Group has adjusted the intended use of the Net Proceeds in the same manner and in the same proportion as shown in the Prospectus.

Up to the date of this announcement, the amount of the Net Proceeds which has remained unutilised amounted to approximately HK$65.4 million.

Set out below are details of the original allocation of the Net Proceeds, revised allocation of the Net Proceeds (after the adjustment as mentioned above), the utilised and unutilised amount of the Net Proceeds as at the date of this announcement:

		Original allocation of Net Proceeds	Revised allocation of Net Proceeds	Utilised amount (as at the date of this announcement)	Unutilised amount (as at the date of this announcement)
		HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Expansion of our production facilities in Cambodia	**45%**	**35.6**	**38.5**	**5.2**	**33.3**
Leasing land and construction of production plant	25%	19.8	21.4	3.1	18.3
Fitting out works	5%	4.0	4.3	0.4	3.9
Purchasing production equipment	15%	11.8	12.8	1.7	11.1
Establishing a product development team in Cambodia	**15%**	**11.8**	**12.8**	**—**	**12.8**
Upgrading existing software and hardware	**10%**	**7.9**	**8.5**	**2.3**	**6.2**
Refurbishment of the existing facilities	**10%**	**7.9**	**8.5**	**2.1**	**6.4**
Installing showrooms in Dongguan and Cambodia	**10%**	**7.9**	**8.5**	**1.8**	**6.7**
General working capital	**10%**	**7.9**	**8.5**	**8.5**	**—**
	100%	79.0	85.3	19.9	65.4

PROSPECTS

Looking ahead, our Group plans to continue to leverage our market leading position and high-quality services to attract more internationally well-known brand owners, brand licensees or their sourcing companies as customers. Our Group also believes a public listing status would enhance our corporate profile and market position because of the enhanced credibility, better business reputation and corporate governance associated with public financial disclosures and general regulatory supervision by relevant regulatory bodies.

Upon the completion of the different stages of expansion of our production facilities in Cambodia, we expect our production capacity to increase gradually, catering for the high demand for production capacity in Cambodia which was driven by preferential import tariff treatment provided by various countries for products manufactured in Cambodia.

DIVIDENDS

On 2 January 2018, the Company declared a one-off and non-recurring dividend of HK$20,000,000 to the then sole Shareholder.

The Board has resolved to recommend the payment of a final dividend of HK$1.0 cent per share for the Year.

AGM

It is proposed that the AGM will be held on a date to be fixed by the Board. Notice of AGM will be published and dispatched to the Shareholders in due course.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the period from the Listing Date to 31 March 2018 (the "**Period**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company with each of the Directors, all Directors have confirmed that they had complied with the required dealing standards set out in the Model Code during the Period.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group's results for the Year have been agreed by the Company's independent auditor (the "**Independent Auditor**"), PricewaterhouseCoopers, to the amounts set out in the consolidated financial statements. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the "**Audit Committee**") comprises all the independent non-executive Directors (the "**INEDs**"), namely Mr. Wong Wai Keung Frederick (chairman), Mr. Lam Kwok Cheong and Mr. Yeung Chi Wai.

The Audit Committee has reviewed together with the management and the Independent Auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company did not redeem its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk and the Company's website at www.wahsun.com.hk. The annual report of the Company for the Year will be despatched to the Shareholders and published on the aforesaid websites in due course.

By Order of the Board
Wah Sun Handbags International Holdings Limited
Ma Hing Man
Chairman and Executive Director

Hong Kong, 27 June 2018

As at the date of this announcement, the Board comprises (i) Mr. Ma Hing Man (Chairman), Mr. Ma Hing Ming (Chief Executive Officer), Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung as the executive Directors; and (ii) Mr. Lam Kwok Cheong, Mr. Wong Wai Keung Frederick and Mr. Yeung Chi Wai as the INEDs.