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)

(I) UPDATE ON IMPACT OF CORONAVIRUS DISEASE (COVID-19) OUTBREAK AND (II) PROFIT WARNING

This announcement is made by Wah Sun Handbags International Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Group dated 25 March 2020 and 29 April 2020 (the "**Announcements**") on the latest development of the impact of the COVID-19 Outbreak (as defined in the Announcements) on the operations of the Group. Unless the context requires otherwise, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

(I) UPDATE ON IMPACT OF CORONAVIRUS DISEASE (COVID-19) OUTBREAK

From publicly available information, the COVID-19 Outbreak has had, and is expected to continue to have, a material impact on business around the world and the economic environment in which the Group operates. The immediate impact of the COVID-19 Outbreak on the financials of the Group is the increase in the provision for impairment of trade receivables determined by way of the expected credit loss model (the "**ECL Provision**"). The COVID-19 Outbreak has weakened the financial positions of the customers of our Group, a key input used for calculating the ECL Provision, in varies degrees, and the probability of a more adverse economic situation as compared to that of the year ended 31 March 2019. The COVID-19 Outbreak has also heightened risk and the impact on the discretionary consumer sectors in North America being observed at the first stage of the COVID-19 Outbreak. There is significant uncertainty over the path, the range and the duration of economic impacts due to the COVID-19 Outbreak (inclusive of the effects of various government support packages) and the impact of COVID-19 Outbreak on the customers' ability to meet their debt obligations as and when they fall due and, therefore, the ECL Provision is expected to be made and charged as an expense to the consolidated income statement of the Group for the year ended 31 March 2020.

To the best knowledge of the Board, the financial positions of two of the top five customers by revenue of the Group for the year ended 31 March 2020 (the "**Relevant Customers**"), with major consumer markets located in North America, have continued to worsen. One of the Relevant Customers, which sources its products from the Group through sourcing companies, and the other Relevant Customers, which procures its products from the Group directly under the original equipment manufacturer model, both of which have filed voluntary petitions for relief under the United States Bankruptcy Code in the United States Bankruptcy Court in mid May 2020. To the best knowledge and belief of the Board, the Relevant Customers intended to use the said petitions to stabilize their businesses and continue normal operations through restructuring. Under such situation, to the best knowledge and belief of the Board, based on unaudited consolidated management accounts of the Group for the year ended 31 March 2020 and other information made available to the Board as at the date hereof, the ECL Provision for impairment of trade receivables of approximately HK$34 million is expected to be made and charged as an expense to the consolidated income statement of the Group for the year ended 31 March 2020.

Based on the preliminary assessment of the management with reference to the unaudited consolidated management accounts of the Group, the revenue contributions from the Relevant Customers in aggregate accounted for approximately 34% of the total revenue of the Group for the year ended 31 March 2020. Having regarded to the current status and development of the restructuring of the Relevant Customers, we are now closely negotiating with the Relevant Customers on more stringent revised sales and credit terms for future co-operation. As the negotiations for the resumption of business with the Relevant Customers are still ongoing and subject to finalization, it is expected that the progress of the resumption of operation of the Cambodia Production Facilities may be affected to certain extent and therefore, it is likely to have a negative impact on the Group's financial results in the short term.

In response to the difficult business environment, the Group has executed a series of cost control measures, which are, including but not limited to, actively negotiating with landlords for rental reductions and seeking for more favourable terms with suppliers and business partners. Consents for rent reductions have been obtained for some of the offices and land occupied by the Group from landlords with 50% rental reductions for the six month period of April 2020 to September 2020. In addition, following the sharp fall of revenue due to the COVID-19 Outbreak, all executive Directors have taken the lead in reducing their monthly salaries by 50% temporarily from April 2020. At the same time, staff salaries will also be adjusted to reflect the current market conditions. The management of the Group will continue to monitor the market conditions closely and adjust its corresponding strategies in a timely manner as necessary and appropriate.

In spite of the foregoing, the Board considers that the overall financial position of the Group remains solid.

The Board will continue to assess the impact of the COVID-19 Outbreak on the Group's financial performance and closely monitor the development of the COVID-19 Outbreak and the Group's exposure to the risks and uncertainties in this connection. The Company will take appropriate measures as and when necessary and make further announcements in accordance with the Listing Rules.

(II) PROFIT WARNING

The Board wishes to inform the Shareholders and potential investors of the Company that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 March 2020 and information made available to the Board as at the date hereof, the Group is expected to record a net profit in the range of HK$9 million and HK$13 million for the year ended 31 March 2020 as compared to the same period in 2019 of a net profit of approximately HK$41 million. The drop in profitability was mainly attributable to the increase in the ECL Provision for impairment of trade receivables of approximately HK$34 million with the reasons as discussed above.

The Company is still in the course of finalizing its unaudited consolidated financial results of the Group for the year ended 31 March 2020. The financial information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited consolidated management accounts of the Group and the information made available to the Board as at the date hereof. Such information has neither been reviewed, confirmed nor audited by the independent auditor of the Company or reviewed by the audit committee of the Company and, therefore, such information may be subject to change. Shareholders and potential investors of the Company are advised to read carefully the results announcement of the Group for the year ended 31 March 2020 which is expected to be published on 22 June 2020.

The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

For and on behalf of
Wah Sun Handbags International Holdings Limited
Ma Hing Man
Chairman and Executive Director

Hong Kong, 25 May 2020

As at the date of this announcement, the executive Directors are 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; and the independent non-executive Directors are Mr. Lam Kwok Cheong, Mr. Wong Wai Keung Frederick and Mr. Yeung Chi Wai.