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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 2020

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 2020 ("**this Year**") together with the comparative figures for the year ended 31 March 2019 ("**Year 2019**").

FINANCIAL HIGHLIGHTS

The Group has recorded a revenue of approximately HK$756.2 million for this Year, representing a decrease of approximately HK$3.3 million or approximately 0.4% as compared with that of approximately HK$759.5 million for Year 2019.

The gross profit of the Group decreased to approximately HK$128.3 million for this Year from approximately HK$134.1 million for Year 2019, representing a decrease of approximately HK$5.8 million or 4.3%, which was mainly due to the competitive prices offered to the customers in order to procure new orders and further expand our market share.

Primarily as a result of the foregoing and the increase in provision for impairment of trade receivables by approximately HK$29.1 million from approximately HK$5.3 million for Year 2019 to approximately HK$34.4 million for this Year, profit for this Year attributable to owners of the Company decreased by approximately HK$29.6 million or 72.7% to approximately HK$11.1 million for this Year from approximately HK$40.7 million for Year 2019.

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per ordinary share (the "**Share**") (Year 2019: HK4.0 cents per Share) and a special dividend of HK1.0 cent per Share (Year 2019: Nil) this Year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Notes	Year ended 31 March **2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**756,152**	759,455
Cost of sales	*5*	**(627,840)**	(625,342)
Gross profit		**128,312**	134,113
Other income	*4*	**3**	8
Other gains, net	*4*	**7,226**	8,109
Selling and distribution expenses	*5*	**(32,224)**	(39,475)
Administrative expenses	*5*	**(50,150)**	(48,715)
Provision for impairment of trade receivables	*12*	**(34,399)**	(5,282)
Operating profit		**18,768**	48,758
Finance income	*6*	**862**	811
Finance costs	*6*	**(4,872)**	(4,576)
Finance costs, net		**(4,010)**	(3,765)
Profit before income tax		**14,758**	44,993
Income tax expenses	*7*	**(3,672)**	(4,323)
Profit for the year attributable to owners of the Company		**11,086**	40,670
		HK cents	*HK cents*
Basic and diluted earnings per share for profit attributable to owners of the Company	*9*	**2.7**	10.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**11,086**	40,670
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss		
— Currency translation differences	**(619)**	(825)
Total comprehensive income for the year attributable to owners of the Company	**10,467**	39,845

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		As at 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Right-of-use assets	*10*	**26,072**	—
Land use rights		**—**	306
Property, plant and equipment		**52,613**	57,636
Financial asset at fair value through profit or loss		**1,251**	1,214
Deferred income tax assets		**2,254**	744
Prepayment for plant and equipment	*12*	**76**	—
		82,266	59,900
Current assets			
Inventories	*11*	**103,867**	163,054
Trade receivables	*12*	**92,739**	134,992
Prepayments, deposits and other receivables	*12*	**13,906**	9,460
Current income tax recoverable		**939**	4,440
Pledged bank deposits		**23,432**	22,528
Cash and cash equivalents		**84,511**	92,668
		319,394	427,142
Total assets		**401,660**	487,042

		As at 31 March	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,086**	4,086
Share premium		**109,611**	109,611
Exchange reserve		**1,915**	2,534
Capital reserve		**21,656**	21,656
Retained earnings			
— Proposed dividends	*8*	**8,172**	16,345
— Others		**92,456**	89,542
Total equity		**237,896**	243,774
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**669**	705
Lease liabilities	*10*	**24,377**	—
		25,046	705
Current liabilities			
Trade and bills payables	*13*	**117,128**	200,886
Accruals and other payables	*13*	**14,495**	20,278
Current income tax liabilities		**1,245**	4,096
Lease liabilities	*10*	**1,820**	—
Borrowings		**4,030**	17,303
		138,718	242,563
Total liabilities		**163,764**	243,268
Total equity and liabilities		**401,660**	487,042

NOTES

1. GENERAL INFORMATION

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 in Hong Kong is situated at 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 are principally engaged in the manufacture and trading of hand-bag products. The ultimate holding company of the Company is Wah Sun International Holdings Limited, a company incorporated in the British Virgin Islands. 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 an acting in concert deed.

The Shares in issue were listed on the Main Board of the Stock Exchange on 22 January 2018 (the "**Listing Date**" and the "**Listing**", respectively).

The consolidated financial statements of the Group (the "**Consolidated Financial Statements**") are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000), unless otherwise stated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The Consolidated Financial Statements have been prepared under the historical cost basis, except for financial asset at fair value through profit or loss which is measured at fair value.

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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New standards, amendments to standards and interpretation to existing standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its financial year commencing on 1 April 2019:

Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies for leases with effect from 1 April 2019 following the adoption of HKFRS 16 "Leases" ("**HKFRS 16**") as disclosed in Note 2.2 below. All other amendments to standards and interpretation listed above do not have a significant effect on the Group's accounting policies.

(b) New standards and amendments to standards that have been issued but are not effective

The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2019 and have not been early adopted by the Group:

	Effective for financial years beginning on or after
Amendments to HKFRS 3 (Revised), "Definition of a business"	1 April 2020
Conceptual Framework for Financial Reporting 2018	1 April 2020
Amendments to HKAS 1 and HKAS 8, "Definition of material"	1 April 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9, "Hedge accounting"	1 April 2020
HKFRS 17, "Insurance contracts"	1 April 2021
Amendments to HKFRS 10 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

None of the above new standards and amendments to standards is expected to have a material impact on the Consolidated Financial Statements in the current or future reporting periods and or foreseeable future transactions.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 on the Consolidated Financial Statements. As indicated in Note 2.1 above, the Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of the statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.3%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following recognition exemptions and practical expedients permitted by the standard:

— applying a single discount rate to a portfolio of leases with reasonably similar characteristics

— relying on previous assessments on whether leases are onerous as an alternative to preforming an impairment review — there were no onerous contracts as at 1 April 2019

— accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases

— excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

— using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

The Group elected to early adopt Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" issued in May 2020 and apply practical expedient to account for rent concessions occurring as a direct consequence of the COVID-19 pandemic on all existing lease contracts as if the change were not a lease modification.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	9,384
Discounted using the lessee's incremental borrowing rate at the date of initial application	8,697
Less: short-term leases not recognised as a liability	(456)
Add: adjustments as a result of a different treatment of extension options	19,718
Lease liability recognised as at 1 April 2019	27,959
Of which are:	
Current lease liabilities	1,762
Non-current lease liabilities	26,197
	27,959

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

Land use rights previously presented as a separate item on the consolidated statement of financial position is grouped as part of right-of-use assets with effect from 1 April 2019.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(iv) Adjustments recognised on the adoption of HKFRS 16

Changes in accounting policies affected the following items in the consolidated statement of financial position on 1 April 2019:

Consolidated statement of financial position (extract)	**31 March 2019 as originally presented**	**Effects of the adoption of HKFRS 16**	**1 April 2019 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	—	28,265	28,265
Land use rights	306	(306)	—
Current liabilities			
Lease liabilities	—	1,762	1,762
Non-current liabilities			
Lease liabilities	—	26,197	26,197

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 is 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 the 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 statement of financial position.

Geographical information

The Company is domiciled in Hong Kong.

The analysis of revenue by geographical area is as follows:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
The United States of America ("**US**")	**575,691**	467,167
Spain	**44,458**	108,688
Other countries	**136,003**	183,600
	756,152	759,455

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 financial asset at fair value through profit or loss and deferred income tax assets.

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
The People's Republic of China ("**PRC**" or "**China**")	**13,611**	16,609
Hong Kong	**1,111**	1,621
Kingdom of Cambodia ("**Cambodia**")	**64,039**	39,712
	78,761	57,942

3. SEGMENT INFORMATION (CONTINUED)

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	
	2020	2019
	HK$'000	*HK$'000*
Customer A	**155,008**	182,842
Customer B	**135,138**	8,879
Customer C	**116,382**	85,567
Customer D	**103,529**	81,187
Customer E	**60,989**	128,986
Customer F	**38,530**	100,318
	609,576	587,779

4. REVENUE, OTHER INCOME AND OTHER GAINS, NET

An analysis of revenue, which is recognised at a point in time, is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Revenue:		
Sales of goods	**756,152**	759,455

Revenue of HK$604,000 (2019: HK$2,416,000) recognised for the year ended 31 March 2020 relates to carried-forward contract liabilities in the prior year.

An analysis of other income and other gains, net is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Other income:		
Sundry income	**3**	8
Other gains, net:		
Net exchange gains	**6,542**	7,942
Gain on sales of scrap materials	**647**	392
Fair value change of financial asset at fair value through profit or loss	**37**	(225)
	7,226	8,109
	7,229	8,117

5. EXPENSES BY NATURE

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**349,884**	373,484
Sub-contracting charges	**130,822**	100,551
Transportation and customs charges	**28,128**	34,275
Operating lease rental in respect of land and building *(Note 10(b))*	**473**	3,447
Employee benefit expense	**161,161**	161,112
Auditor's remuneration		
— Audit services	**1,780**	1,850
Travelling expenses	**835**	1,376
Entertainment expenses	**971**	1,292
Amortisation on land use rights	**—**	44
Depreciation of property, plant and equipment	**9,040**	7,802
Depreciation of right-of-use assets *(Note 10(b))*	**2,193**	—
Legal and professional fees	**3,572**	3,516
Utilities	**4,230**	5,729
Repairs and maintenance	**649**	774
Donations	**167**	412
Other expenses	**16,309**	17,868
Total cost of sales, selling and distribution expenses and administrative expenses	**710,214**	713,532

6. FINANCE COSTS, NET

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Finance costs:		
— Interest expense on bank borrowings	**(452)**	(815)
— Interest expense on bills payable	**(3,206)**	(3,759)
— Interest expense on finance lease liabilities	**—**	(2)
— Interest expense on lease liabilities *(Note 10(b))*	**(1,214)**	—
	(4,872)	(4,576)
Finance income:		
— Interest income on bank deposits	**862**	811
Finance costs, net	**(4,010)**	(3,765)

7. INCOME TAX EXPENSES

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

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Current income tax:		
— Hong Kong profits tax	**2,004**	274
— Overseas taxation	**3,285**	4,325
(Over)/under-provision in prior years	**(25)**	515
	5,264	5,114
Deferred income tax	**(1,592)**	(791)
	3,672	4,323

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) for the year ended 31 March 2020 on the estimated assessable profit, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25% (2019: 8.25%), in accordance with the two-tiered tax rate regime with effect from the year of assessment 2018/2019. 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, was entitled to preferential tax treatment with full exemption from Cambodia corporate income tax for four financial years from 1 January 2015 to 31 December 2018. Starting from 1 January 2019, Cambodia corporate income tax has been provided at the rate of 20%.

8. DIVIDENDS

The Board has recommended the payment of a final dividend of HK1.0 cent per Share (2019: HK4.0 cents per Share) and a special dividend of HK1.0 cent per Share, amounting to an aggregate of approximately HK$8,172,000 (2019: HK$16,345,000) for the year ended 31 March 2020. The proposed final dividend and the proposed special dividend for the Year are subject to the approval by the shareholders of the Company (the "**Shareholders**") in the forthcoming annual general meeting of the Company. The Consolidated Financial Statements do not reflect the dividends payable.

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend of HK1.0 cent (2019: HK4.0 cents) per Share by the Company	**4,086**	16,345
Proposed special dividend of HK1.0 cent (2019: Nil) per Share by the Company	**4,086**	—
	8,172	16,345

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.

	Year ended 31 March **2020**	2019
Profit attributable to owners of the Company *(HK$'000)*	**11,086**	40,670
Weighted average number of shares in issue *(thousands shares)*	**408,626**	408,626
Basic earnings per share *(HK cents)*	**2.7**	10.0

(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 2020 (2019: Nil).

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at **31 March 2020** ***HK$'000***	1 April 2019 *HK$'000*
Right-of-use assets		
Land under non-cancellable operating leases	**25,810**	27,959
Land use right	**262**	306
	26,072	28,265
Lease liabilities		
Current	**1,820**	1,762
Non-current	**24,377**	26,197
	26,197	27,959

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Depreciation of right-of-use assets		
Land under non-cancellable operating leases	**(2,149)**	—
Land use right	**(44)**	—
	(2,193)	—
Interest expense *(Note 6)*	**(1,214)**	—
Expense relating to short-term leases (included in administrative expenses) *(Note 5)*	**(473)**	—

The total cash outflow for leases for the year ended 31 March 2020 was approximately HK$2,976,000.

Note: As at 31 March 2020, the Group recognised right-of-use assets of HK$25,810,000 and lease liabilities of HK$26,197,000 in respect of a lease entered into with a related party.

11. INVENTORIES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Raw materials	**22,909**	56,134
Work-in-progress	**63,871**	86,039
Finished goods	**17,087**	20,881
	103,867	163,054

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated income statement amounted to HK$349,884,000 (2019: HK$373,484,000) for the year ended 31 March 2020.

12. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**134,560**	142,414
Less: provision for impairment of trade receivables	**(41,821)**	(7,422)
Trade receivables, net	**92,739**	134,992
Deposits	**1,167**	1,149
Prepayments	**3,489**	1,893
Value-added tax recoverable	**9,030**	6,412
Other receivables	**296**	6
	13,982	9,460
Less: non-current portion		
Prepayment for plant and equipment	**(76)**	—
Current portion	**13,906**	9,460

The maximum exposure to credit risk as at 31 March 2020 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.

The trade and other receivables excluding prepayments and value-added tax recoverable are denominated in the following currencies:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
United States ("**US**") dollar ("**US$**")	**93,578**	135,834
HK$	**544**	310
Renminbi ("**RMB**")	**80**	3
	94,202	136,147

12. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note:

Trade receivables

The credit terms of trade receivables generally range from 30 to 90 days from the invoice date. As at 31 March 2020, the ageing analysis of the gross trade receivables based on the invoice date is as follows:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**25,075**	52,714
31 to 60 days	**49,013**	34,578
61 to 90 days	**31,676**	28,432
Over 90 days	**28,796**	26,690
	134,560	142,414

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

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Beginning of the year	**7,422**	2,140
Provision for impairment	**34,399**	5,282
End of the year	**41,821**	7,422

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

13. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Trade payables	**64,394**	104,866
Bills payables	**52,734**	96,020
	117,128	200,886
Accruals and other payables		
— Accrued salaries	**9,220**	11,529
— Other accruals and payables	**5,200**	8,145
— Contract liabilities	**75**	604
	14,495	20,278
	131,623	221,164

As at 31 March 2020, the carrying amounts of trade and bills payables, accruals and other payables approximate their fair values.

Notes:

As at 31 March 2020, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**29,251**	78,976
31 to 60 days	**16,464**	34,787
61 to 90 days	**47,021**	64,858
Over 90 days	**24,392**	22,265
	117,128	200,886

14. EVENTS AFTER THE REPORTING PERIOD

(a) Temporary suspension of production facilities in Cambodia

The novel coronavirus disease ("**COVID-19**") pandemic since early 2020 affected worldwide business and economic activities. During the COVID-19 pandemic, the Group's production facilities in Cambodia were temporarily suspended during the period from April to early May 2020. During the suspension period, most of the Group's production facilities in Cambodia (the "**Cambodia Production Facilities**") were closed and the delay in scheduled fulfilment of orders were communicated and agreed with the respective customers.

Management actively monitors the situation and the impact to the Group's financial results. As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of the potential impact on the Group.

(b) Impairment of trade receivables

In mid May 2020, two customers of the Group filed voluntary bankruptcy petitions. As a result, the Group made impairment provision of HK$32,507,000 against the trade receivable balances due from these two customers as at 31 March 2020. The Group will closely monitor the collection of the outstanding trade receivable balances from these two customers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a non-leather handbag original equipment manufacturer (the "**OEM**") and principally manufactures and trades handbag products.

The Group's revenue slightly decreased by approximately HK$3.3 million or 0.4% to approximately HK$756.2 million for this Year from approximately HK$759.5 million for the Year 2019 mainly due to the international political gridlock and the prolonged trade tensions between the US and China and uncertainties surrounding Brexit continuing to cloud the performance of the global economy. Besides, the gradual economic slowdown in the PRC also dampened the global business sentiment.

Those unfavourable factors as mentioned above have been partially relieved by (i) the benefit of duty-free and quota-free export of all goods (except arms and ammunition) to the US and member states of the European Union (the "**EU**") from Cambodia; and (ii) the ramp-up of production capacity following the completion of the second phase of our expansion plan in Cambodia.

The Group's sales were still predominantly made to North America, accounting for approximately 80% of total revenue for this Year (Year 2019: approximately 66%). The share of revenues from European customers has decreased to approximately 12% for this Year (Year 2019: approximately 24%).

During this Year, we were able to maintain stability in revenue amid an uncertain macroeconomic environment. However, since the outbreak of the COVID-19 (the "**COVID-19 Outbreak**") worldwide, certain governments of North America and the EU have taken emergency public health measures to contain the spread of the outbreak by, including but not limited to, imposing travel restrictions, prohibiting entry of foreigners and closing the premises of certain government and private practices except those premises providing essential services. Since early March 2020, the COVID-19 Outbreak has led to disruption to the consumer markets of North America and the EU, which are the largest markets for our products. Some of the shipments to North America and the EU have been deferred at the requests of the Group's customers in view of the COVID-19 Outbreak in their home countries. The operating environment of the Group has been adversely affected due to the COVID-19 Outbreak, and the revenue generated from those markets since then was disappointing.

BUSINESS REVIEW (CONTINUED)

Furthermore, having noted the measures from the government of Cambodia in response to the COVID-19 Outbreak in containing the coronavirus, we made the decision to support such measures put forward by the government of Cambodia and to temporarily suspend most of the Cambodia Production Facilities starting from the end of March 2020.

From early May 2020, the Cambodia Production Facilities steadily resumed its operations given that the COVID-19 Outbreak has gradually become under control in North America and the EU.

In mid-May 2020, the financial positions of two of our top five customers (the "**Relevant Customers**") which in aggregate accounted for approximately 34% of the total revenue of the Group for this Year, with major consumer markets located in North America, have continued to worsen and both of them have filed voluntary petitions for relief under the United States Bankruptcy Code in the United States Bankruptcy Court. One of the Relevant Customers sources its products from the Group through sourcing companies, and the other Relevant Customers procures its products from the Group directly under the original equipment manufacturer model and both of which intended to use the said petitions to stabilize their businesses and continue normal operations through restructuring. Under such situation, based on the latest information currently available to the Group, an additional provision for impairment of trade receivables, determined by way of the expected credit loss model, of approximately HK$34.4 million has been made and charged as an expense to the consolidated income statement of the Group for this Year.

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 a 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, we have executed a series of cost control measures, 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 rental 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 from 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 1 April 2020. At the same time, staff salaries will also be adjusted to reflect the current market conditions. We shall continue to monitor the market conditions closely and adjust the Group's corresponding strategies in a timely manner as necessary and appropriate.

BUSINESS REVIEW (CONTINUED)

On the other hand, the third phase of our expansion plan for the warehousing space and staff accommodation on the unused portion of the leased land in Cambodia have been completed during this Year. With the COVID-19 Outbreak which has brought and may continue to bring negative impact to the business of the Group, going forward, we decided to defer the remaining expansion plan in Cambodia and we shall reconsider to continue to expand our production facilities in Cambodia and open up more opportunities for our expansion by reference to the latest market condition from time to time. Accordingly, the Board considered that it to be appropriate to apply the unutilised amount of the net proceeds from the initial public offering originally allocated for the remaining expansion plan in Cambodia of HK$12.9 million to working capital thereby improving liquidity and reducing the finance costs of the Group through the repayment of part of the short-term borrowings. Further details of this are set out in the announcement of the Company dated 25 March 2020.

Since some of our customers designate suppliers of raw materials that we are mandated to use in manufacturing their products, we are able to benefit from our production facilities in China, which are in close proximity to our suppliers, being mostly located in the PRC.

Going forward, our production facilities in the PRC will continue to provide procurement support to our Cambodia Production Facilities and primarily responsible for non-manufacturing functions such as order management and product development. Through the strategic structuring of our manufacturing facilities, we are able to benefit from both the extensive supply of manufacturing workers at low labour cost in Cambodia and close proximity to raw materials sources in the PRC to conveniently source a stable supply of high-quality raw materials. We believe that this collective network of support enables our Group to maintain a cost-effective business model.

INDUSTRY OVERVIEW

During this Year, the global handbag market was witnessing steady growth, owing to the growing demand for affordable on-trend handbags. The arrival of numerous brands and their readily availability through retail stores and online retail channels are contributing to the market's growth. The shift in consumers' behaviour away from animal products is also a driving force for our customers to opt for non-leather handbags in order to broaden the product offerings to their clientele and gain their trust and support.

Besides, the gradual recovery of the global economy in recent years was accompanied by the growth of gross domestic product and per capita disposable income in developed countries. The recovery of the economy in developed countries plays an important role in increasing the purchasing power of consumer goods, which is expected to further develop Cambodia's non-leather handbag OEM industry as Cambodia is one of the key non-leather handbag manufacturing bases.

INDUSTRY OVERVIEW (CONTINUED)

Along with the "phase one" US-China trade deal and plentiful global liquidity, these measures should help emerging market growth to make a partial recovery. Nevertheless, downside idiosyncratic risks will abound. Intensified US-China competition and occasional confrontation are expected to continue to feature prominently in upcoming financial year. The downside risk is further increased due to the COVID-19 Outbreak worldwide.

The increasing headwinds will be challenging and we shall continue to monitor the latest market environment to thoughtfully manage our risk exposures.

THE MACROSCOPIC ENVIRONMENT

Temporary withdrawal of trade preferences by the EU effective from 12 August 2020 if no objection is received from the European Parliament and the Council of the EU

Established in 2001, Everything But Arms (the "**EBA**") gives 49 of the world's poorest countries (the "**Least Developed Countries**"), including Cambodia, duty-free access to the EU markets. Pursuant to the EBA scheme, which is part of the EU's Generalised Scheme of Preferences (the "**EU GSP**") programme, it allows vulnerable developing countries to pay fewer or no duties on exports to the EU, giving them vital access to the EU markets and contributing to their growth. The EBA scheme unilaterally grants the world's Least Developed Countries duty-free and quota-free access to the EU for all products (except arms and ammunition), as defined by the United Nations (the "**UN**").

The regulations of the EU GSP provide that trade preferences may be suspended in case of "serious and systematic violation of principles" laid down in the human rights and labour rights. The conditions and the procedures of the temporary withdrawal of tariff preferences are described in Article 19 of the EU GSP. The possibility of temporary, full, or partial withdrawal is foreseen in the event of serious and systematic violations of 15 core UN and International Labour Organisation (the "**ILO**") Conventions.

In November 2019, the EU Commission submitted to Cambodia, in accordance with Article 19(7) of the regulations of the EU GSP, a report on its findings and conclusions (the "**Finding Report**"). The Finding Report was based on the body of evidence gathered by the EU Commission up to 31 October 2019 concerning in respect of the principles laid down in the four core human and labour rights under the UN/ILO conventions, including evidence and information submitted by Cambodia and by the third parties to the procedures.

Given the facts and consideration described in the Finding Report, the nature of the rights infringed, and the duration, scale and the impact of Cambodia's actions and omissions, the EU Commission found serious and systematic violations by Cambodia of the principles laid down in Articles 19, 21, 22 and 25 of the International Covenant on Civil and Political Rights (1996).

THE MACROSCOPIC ENVIRONMENT (CONTINUED)

Temporary withdrawal of trade preferences by the EU effective from 12 August 2020 if no objection is received from the European Parliament and the Council of the EU (Continued)

On 12 February 2020, having considered Cambodia's comments and views on the Finding Report in December 2019, the EU Commission decided that the preferential arrangements granted to Cambodia for certain products, including handbags, originating in Cambodia should be withdrawn temporarily until it is decided that the reasons for justifying the withdrawal no longer apply. Unless the European Parliament and the Council of the EU object, this will take effect on 12 August 2020. Sales to EU region represented approximately 12% of total revenue recorded for this Year.

The potential implication arising from the temporary withdrawal of trade preferences by the EU, which may potentially adversely affect our revenue and profitability, is being actively monitored.

Having said that, we believe that Cambodia is still expected to remain one of the preferred manufacturing locations for our customers from the European markets due to the relatively low labour costs of Cambodia when compared with some of the Southeast Asian countries. Besides, we consider that competition in the handbag OEM industry is based various factors, including quality of products, product development and price. With our experienced management team, long-standing history and good reputation in the industry, well-established quality control system and stable business relationship with our customers, it offers us a competitive advantage over our competitors.

The extension of the Generalised System of Preferences program of US (the "US GSP") is subject to re-authorization by the US Congress upon expiration on 31 December 2020

The US GSP is a trade program of the US designed to promote economic growth in developing countries by providing preferential duty-free entry for up to 5,000 products to designated states and territories. The US GSP is not a trade agreement, but rather a benefit offered to less economically developed countries, allowing these countries to increase and diversify their trade with the US.

Under the US GSP program, all eligible goods to the US from all beneficiary countries and territories under the program, including Cambodia, are exempted from import tariffs.

On 23 March 2018, Donald John Trump, the president of the US, signed the omnibus spending bill that includes the extension of the US GSP programme for three years covering the period from 1 January 2018 to 31 December 2020.

THE MACROSCOPIC ENVIRONMENT (CONTINUED)

The extension of the Generalised System of Preferences program of US (the "US GSP") is subject to re-authorization by the US Congress upon expiration on 31 December 2020 (Continued)

Accordingly, Cambodia may be subject to non-preferential duties from 1 January 2021 if the US Congress has not re-authorised its renewal of the US GSP program before expiration, although the US GSP program had been renewed as a normal practice in the US historically.

PROSPECT

Looking ahead, the COVID-19 Outbreak is expected to continue to create unprecedented risks and challenges to the global economy. The business environment in North America as well as the majority of other countries will become very challenging, severely impacting various businesses and industries. Together with Brexit uncertainties, social unrest in different countries as well as geopolitical and trade tensions, all will continue to weigh heavily on the global economy.

With various adversities and challenges in the current market conditions, the Group's operations in the upcoming financial year ahead will inevitably be impacted. The Group will continue to focus and rely on its competitive advantage over our competitors and strong financial fundamentals to mitigate the impact arising from various macroeconomic challenges.

FINANCIAL REVIEW

Revenue

Our revenue is generated principally from the manufacturing and sales of handbags, net of returns and discounts. Our revenue was derived from a single segment with different production bases.

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

	Year ended 31 March			
	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
Cambodia	**678,234**	**89.7**	606,036	79.8
Dongguan, the PRC	**77,918**	**10.3**	153,419	20.2
	756,152	**100.0**	759,455	100.0

FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

The Group's revenue decreased to approximately HK$756.2 million for this Year from approximately HK$759.5 million for Year 2019, representing a decrease of approximately 0.4%.

The Group recorded the decrease of revenue from the European customers by approximately HK$90.0 million during this Year from approximately HK$184.1 million for Year 2019 to approximately HK$94.1 million for this Year.

However, such decrease has been alleviated by an increase of revenue from customers in North America by approximately HK$100.3 million during this Year from approximately HK$504.3 million for Year 2019 to approximately HK$604.6 million this Year. This was mostly driven by Cambodia's favourable trade arrangements and the increase in sales of products manufactured in Cambodia with the planned gearing up of production capacity of our manufacturing facilities in Cambodia.

The Group's strategy is to diversify its customer base by continuing to grow its business with new customers and capturing greater market share in different markets. The Group's sales to its top five customers accounted for approximately 76% of the total revenue for this Year, with sales to the largest customer accounting for approximately 20% of the total revenue for this Year.

The Group has continued to solidify its reputation for high quality products and demonstrated its strong abilities to solicit new customers such as well-known multinational fashion brands.

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

	Year ended 31 March	
	2020	2019
Revenue *(HK$'000)*	**756,152**	759,455
Quantities sold *(Unit'000)*	**12,663**	14,067
Average selling price *(HK$/Unit)*	**59.7**	54.0

The increase in average selling price was due to the different complexity of products sold.

Cost of sales

The Group's cost of sales primarily consisted of (i) cost of raw materials consumed; (ii) labour costs; (iii) sub-contracting charges; and (iv) others.

FINANCIAL REVIEW (CONTINUED)

Cost of sales (Continued)

The cost of sales increased to approximately HK$627.8 million for this Year from approximately HK$625.3 million for Year 2019, representing an increase of approximately 0.4%.

The Group's cost of sales increased while the Group's revenue decreased during this Year. This was mainly due to the competitive pricing offered to secure new orders and further expand our market share while such detriment has been partially alleviated by the planned increase in the sales of products manufactured in Cambodia to approximately 89.7% of the total revenue for this Year from approximately 79.8% for Year 2019 in order to enjoy the lower labour cost and the economies of scale in Cambodia.

Gross profit

With the factors as mentioned above, the Group's gross profit decreased to approximately HK$128.3 million for this Year from approximately HK$134.1 million for Year 2019, representing a decrease of approximately 4.3%.

Other gains, net

The Group's other gains primarily consisted of (i) net exchange gains of HK$6.5 million (Year 2019: HK$7.9 million) mainly arising from the depreciation of RMB against HK$; and (ii) gain on sales of scrap materials of HK$0.6 million (Year 2019: HK$0.4 million).

Selling and distribution expenses

The Group's selling and distribution expenses primarily consisted of transportation, customs charges, product testing and inspection fees.

Selling and distribution expenses decreased to approximately HK$32.2 million for this Year from approximately HK$39.5 million for Year 2019, representing a decrease of approximately 18.4%. The decrease was primarily due to the decrease in transportation and customs charges as a result of the decrease in sales and our effort of cost control.

Administrative expenses

The Group's administrative expenses primarily consisted of employee benefit expenses, operating lease rentals (mainly for office), entertainment and travelling expenses, legal and professional fees and other miscellaneous general and administrative expenses.

Administrative expenses slightly increased to approximately HK$50.2 million for this Year from approximately HK$48.7 million for Year 2019, representing an increase of approximately 2.9%.

FINANCIAL REVIEW (CONTINUED)

Provision for impairment of trade receivables

The Group's provision for impairment of trade receivables increased by HK$29.1 million from approximately HK$5.3 million for Year 2019 to approximately HK$34.4 million for this Year. The increase was primarily due to the deterioration of the financial positions of the Relevant Customers in North America, which in aggregate, accounted for approximately 34% of the total revenue of the Group for this Year, have filed voluntary petitions for relief under the United States Bankruptcy Code in the United States Bankruptcy Court. Under such circumstances, based on the latest information made available to the Board as at the date hereof, an additional provision for impairment of trade receivables, determined by way of the expected credit loss model, of approximately HK$34.4 million has been made and charged as an expense to the consolidated income statement of the Group for this Year.

Finance costs, net

Net finance costs increased by approximately HK$0.2 million or approximately 6.5% from approximately HK$3.8 million for Year 2019 to approximately HK$4.0 million for this Year.

The increase was mainly due to an increase in interest expense on lease liabilities of approximately HK$1.2 million upon the adoption of HKFRS 16, which took effect on 1 April 2019.

Income tax expenses

The Group's income tax expenses decreased by approximately HK$0.7 million or approximately 15.1% from HK$4.3 million for Year 2019 to approximately HK$3.7 million for this Year.

The decrease was mainly due to the decrease in the assessable profit for this Year. Our effective tax rate increased from 9.6% for Year 2019 to 24.9% for this Year. The increase in effective tax rate for this Year when compared with that of Year 2019 was mainly due to the result of the end of tax holiday on assessable profits of Wah Sun HK Factory (Cambodia) Co., Ltd, a wholly-owned subsidiary of the Company, for four financial years starting from 1 January 2015 to 31 December 2018 and Cambodia corporate income tax has been set and assessable at the rate of 20% effective from 1 January 2019.

Profit for the Year

As a result of the foregoing and in particular the provision for impairment of trade receivables, profit for this Year decreased by approximately HK$29.6 million or 72.7% to approximately HK$11.1 million for this Year from approximately HK$40.7 million for Year 2019.

FINANCIAL REVIEW (CONTINUED)

Profit for the Year (Continued)

Our net profit margin decreased from 5.4% for Year 2019 to 1.5% for this Year, which was mainly due to (i) the decrease in gross profit margin from 17.7% for Year 2019 to 17.0% for this Year; and (ii) the increase in the provision for impairment of trade receivables by approximately HK$29.1 million.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and pledge of assets

As at 31 March 2020, the Group had bank borrowings of approximately HK$4.0 million (31 March 2019: approximately HK$17.3 million).

Bank borrowings were secured by bank deposits of approximately HK$23.4 million (31 March 2019: approximately HK$22.5 million) as at 31 March 2020.

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 to finance its business for the foreseeable future.

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.

As HK$ is pegged to US$, the management of the Company (the "**Management**") considers that the foreign exchange risk on US$ to the Group is minimal. The Group's exposure to foreign exchange risk is primarily with respect to RMB.

As at 31 March 2020, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group; and therefore, the Group did not have any hedging activities during this Year.

Working capital management

The Group has committed to maintaining a 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 its working capital requirements primarily through net cash generated from the operating activities and bank borrowings. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing sustainable and stable dividend return to the Shareholders.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

Liquidity ratios

As at 31 March 2020, the Group had cash and cash equivalents of approximately HK$84.5 million (31 March 2019: approximately HK$92.7 million). The Group's current ratio, gearing ratio and net debt to equity ratios are as follows:

	31 March 2020	31 March 2019
Current ratio	**2.3**	1.8
Gearing ratio	**1.7%**	7.1%
Net debt to equity ratio	**Net cash**	Net cash

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

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

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

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

Significant investments/material acquisitions and disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during this Year.

Future plans for material investments or capital assets

Saved as disclosed in the prospectus of the Company dated 10 January 2018, the Group did not have other plans for material investments and capital assets as at 31 March 2020.

Capital commitments

As at 31 March 2020, the Group had capital expenditure contracted for but not yet incurred of approximately HK$0.2 million (31 March 2019: approximately HK$2.2 million) in respect of acquisition of property, plant and equipment.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

Contingent liabilities

As at 31 March 2020, the Group did not have any significant contingent liabilities (31 March 2019: Nil).

Important Events after the reporting period

Save as (i) most of the production facilities of the Group have been temporarily suspended during the period from April to May 2020 in response to the impact of COVID-19; and (ii) the Relevant Customers have filed voluntary petitions for relief under the United States Bankruptcy Code in the United States Bankruptcy Court in mid May 2020, there have been no material events occurring after the reporting period and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 4,655 employees (31 March 2019: 5,060). For this Year, the Group incurred staff costs, including Directors' remuneration of approximately HK$161.2 million (Year 2019: approximately HK$161.1 million).

The Company has adopted a share option scheme for the purpose of recognising and acknowledging the contributions of employees.

The remuneration policy of the senior employees of the Group was tabled and recommended by the remuneration committee of the Board (the "**Remuneration Committee**") to the Board on the basis of the employees' merit, qualifications and competence.

The remuneration of the Directors are formulated and recommended by the Remuneration Committee to the Board, having regards to the Company's operating results, individual performance of the Directors and comparable market statistics.

USE OF NET PROCEEDS FROM THE LISTING

On 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 total gross proceeds of approximately HK$128.2 million (the "**IPO**"). The total net proceeds raised from the initial public offering ("**IPO**") (the "**Net Proceeds**") were approximately HK$85.3 million after the deduction of related Listing expenses.

USE OF NET PROCEEDS FROM THE LISTING (CONTINUED)

With reference to the announcement of the Company dated 25 March 2020 (the "**Announcement**"), the use of Net Proceeds has been adjusted as follows: approximately 15.0% of the Net Proceeds in an amount of approximately HK$12.9 million, which represented the remaining balance not yet utilized at the date of the Announcement and were originally allocated for expansion of our production facilities in Cambodia, have been re-allocated to general working capital of the Group. The table below sets out the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds (after the adjustment as stated in the Announcement) and the utilised and the unutilised amount of the Net Proceeds as at the date of this announcement.

	Original allocation of the Net Proceeds		**Revised allocation of the Net Proceeds**		**Amount utilised (as at the date of this announcement)**	**Amount unutilised (as at the date of this announcement)**
	HK$ million	*% of Net Proceeds*	*HK$ million*	*% of Net Proceeds*	*HK$ million*	*HK$ million*
Expansion of our production facilities in Cambodia	38.5	45.0%	25.6	30.0%	25.6	—
Leasing land and construction of production plant	21.4	25.0%	17.2	20.2%	17.2	—
Fitting out works	4.3	5.0%	2.2	2.6%	2.2	—
Purchasing production equipment	12.8	15.0%	6.2	7.2%	6.2	—
Establishing a product development team in Cambodia	12.8	15.0%	12.8	15.0%	7.1	5.7
Upgrading existing software and hardware	8.5	10.0%	8.5	10.0%	5.0	3.5
Refurbishment of the existing facilities	8.5	10.0%	8.5	10.0%	4.7	3.8
Installing showrooms in Dongguan and Cambodia	8.5	10.0%	8.5	10.0%	6.9	1.6
General working capital	8.5	10.0%	21.4	25.0%	21.4	—
	85.3	100.0%	85.3	100.0%	70.7	14.6

In particular,

(i) regarding the expansion of our production facilities in Cambodia, approximately HK$25.6 million has been used for constructing the production plant, fitting out works and purchasing production equipment to leverage the relatively low labour costs in Cambodia and lower overall production cost as planned;

(ii) regarding establishing a product development team in Cambodia, approximately HK$7.1 million has been used for recruiting and training experienced workers in Cambodia to pick up on the skill required for product development as planned;

(iii) regarding upgrading existing software and hardware, approximately HK$5.0 million has been used for enhancing our information technology infrastructure as planned;

(iv) regarding refurbishment of the existing facilities, approximately HK$4.7 million has been used for refurbishment of the existing showroom, workshop and ancillary office as planned; and

USE OF NET PROCEEDS FROM THE LISTING (CONTINUED)

(v) regarding installing showrooms in Dongguan, PRC and Cambodia, approximately HK$6.9 million has been used for installing showrooms in our production bases in Dongguan and Cambodia as planned.

As at 31 March 2020, the unutilised Net Proceeds were deposited in short-term demand deposits with a licensed bank in Hong Kong.

To the practicable extent which is in the best interest of the Company, the Directors intend to continue to apply the remaining Net Proceeds in accordance with the uses and in the proportions as stated in the revised allocation of Net Proceeds.

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the Company will be held on Monday, 7 September 2020 (the "**2020 AGM**"). Notice of the 2020 AGM will be sent to the Shareholders in July 2020.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per ordinary Share (Year 2019: HK4.0 cents per Share) and a special dividend of HK1.0 cent per Share (Year 2019: Nil), amounting to an aggregate of approximately HK$8,172,000 for this Year (Year 2019: HK$16,345,000) (the "**Proposed Final Dividend and Special Dividend**") to the Shareholders whose names will appear on the register of members of the Company (the "**Register of Members**") on Wednesday, 14 October 2020.

The Proposed Final Dividend and Special Dividend are subject to the approval by the Shareholders at the 2020 AGM. It is expected that the Proposed Final Dividend and Special Dividend would be paid to the Shareholders on Thursday, 29 October 2020.

CLOSURE OF REGISTER OF MEMBERS

(i) 2020 AGM

For determining the Shareholder' entitlement to attend and vote at the 2020 AGM, the Register of Members will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2019, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM to be held on Monday, 7 September 2020, non-registered Shareholders must lodge all duly completed and stamped transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 1 September 2020.

CLOSURE OF REGISTER OF MEMBERS (CONTINUED)

(ii) Proposed Final Dividend and Special Dividend

Conditional on the passing of the resolution approving the Proposed Final Dividend and Special Dividend by the Shareholders at the 2020 AGM, the Register of Members will be closed for determining the Shareholders' entitlement to the Proposed Final Dividend and Special Dividend from Friday, 9 October 2020 to Wednesday, 14 October 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the Proposed Final Dividend and Special Dividend, non-registered Shareholders must lodge all duly completed and stamped transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8 October 2020.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions in all material respects set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during this Year and the period thereafter up to the date of this announcement (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. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required dealing standards as set out in the Model Code during the Period. The Model Code also applies to other specified senior management of the Group in respect of their dealings in the Company's securities.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group's results for this Year have been agreed by the Company's independent auditor (the "**Independent Auditor**"), PricewaterhouseCoopers, to the amounts set out in the audited 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 THE 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 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 any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.wahsun.com.hk. The annual report of the Company for this Year will be despatched to the Shareholders and published on the aforesaid websites in due course in the manner as required by the Listing Rules.

APPRECIATION

The Board would like to express its sincere gratitude to Management and all the staff for their hard work and dedication, as well as its Shareholders, business associates and other professional parties for their support throughout the Period.

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

Hong Kong, 22 June 2020

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.