

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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) POSITIVE PROFIT ALERT AND (II) FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

This announcement is made by Wah Sun Handbags International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (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).

(I) POSITIVE PROFIT ALERT

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, to the best knowledge and belief of the Board and based on the information currently available to the Company and the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 March 2022 (the “**Reporting Year**”), it is anticipated that the Group will record net profit attributable to owners of the Company within the range from approximately HK\$36 million to HK\$40 million for the Reporting Period as compared to the net profit attributable to owners of the Company of approximately HK\$6 million recorded for the year ended 31 March 2021 (the “**Previous Year**”).

The increase in the net profit attributable to owners of the Company was mainly attributable to the following factors:

- (i) the increase in revenue by approximately HK\$214 million to approximately HK\$618 million for the Reporting Year from approximately HK\$404 million for the Previous Year, representing an increase of approximately 53%. This was mainly attributable to (a) the continuing market recovery in North America, the largest market of our products, as the outbreak of the novel coronavirus disease (“**COVID-19**”) continued to improve which saw the spending patterns of consumers strengthen and the market regaining its potential as the economies of the developing nations continued to improve; and (b) the temporary closure of the production facilities of the Group in Cambodia from end of March 2020 to early May 2020 due to COVID-19 in the Previous Year while during the Reporting Year, temporary closure only covered a shorter period from 15 May to 28 May 2021; and
- (ii) the increase in gross profit and gross profit margin led by the increase in revenue as a result of the increase in the quantity of goods sold by the Group and the continuing implementation of certain stringent cost control measures which successfully reduced the base production operating costs of the Group.

As a result of the foregoing, the gross profit for the Reporting Year increased as compared to the Previous Year. However, such increase had been partially alleviated by the following factors:

- (i) the increase in sales and distribution expenses primarily due to the increase in transportation and customs charges, which was mainly due to the increase in the level of sales activity;
- (ii) the increase in administrative expenses reflected various temporary cost control measures implemented during the Previous Year which were not repeated in the Reporting Year as business of the Group continued to improve;
- (iii) the increase in provision for impairment on trade receivables in the Reporting Year in line with the expected credit loss model while the Previous Year had a reversal of provision for impairment as a result of recovery from certain receivables which had previously been provided for; and
- (iv) the increase in income tax expenses as a result of the increase in assessable profit in the Reporting Year.

As the Company is still in the process of finalising the audited consolidated financial results of the Group for the Reporting Year, the information contained in this announcement is only based on the preliminary assessment by the management of the Company with reference to the unaudited consolidated management accounts of the Group for the Reporting Year, which have not been confirmed, reviewed or audited by the Company's auditors or the audit committee of the Company and therefore may be different from the actual results of the Group for the Reporting Year. Detailed financial information of the Group will be disclosed in the annual results announcement of the Group for the Reporting Year which is expected to be issued in June 2022 pursuant to the Listing Rules.

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

(II) FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to (i) the prospectus of the Group dated 10 January 2018 (“**Prospectus**”) in relation to the listing of the Company's shares (the “**Global Offering**”) on the Main Board of the Stock Exchange; (ii) the annual report of the Group for the year ended 31 March 2018 (the “**2018 Annual Report**”); (iii) the announcement of the Company dated 25 March 2020 relating to the change in the use of proceeds from the Global Offering (the “**2020 Announcement**”); (iv) the announcement of the Company dated 28 July 2021 relating to additional information on expected timeline for use of proceeds; and (v) the annual report of the Company for the year ended 31 March 2021 (“**2021 Annual Report**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus and the 2021 Annual Report, and in the event of conflict or inconsistency, the definitions in the 2021 Annual Report shall prevail.

The original intended use of the net proceeds from the Global Offering (the “**Net Proceeds**”) amounted to approximately HK\$85.3 million was disclosed in the Prospectus.

As disclosed in the 2020 Announcement, the Board resolved to change and reallocate part of the unutilized Net Proceeds of approximately HK\$12.9 million, which represented the remaining balance not yet utilized as at 25 March 2020 (the “**First Reallocation**”).

As at the date of this announcement, the Group had utilized approximately HK\$76.0 million of the Net Proceeds and the unutilized Net Proceeds amounted to approximately HK\$9.3 million.

For reasons as set out in the section headed “Reasons for and Benefits of the Further Change in Use of the Net Proceeds” herein, the Board resolved on 31 May 2022 to further reallocate part of the unutilized Net Proceeds of approximately HK\$7.7 million to accepting early repayment to suppliers for better terms of trade (the “**Second Reallocation**”).

The table below sets out the allocation of the Net Proceeds after the First Reallocation, the change in use after the Second Reallocation and the revised position after change in use:

	Allocation of the Net Proceeds after the First Reallocation (as per the 2021 Annual Report)		Utilized amount (as at the date of this announcement)	Unutilized Net Proceeds after the First Allocation (as at the date of this announcement)	Allocation of the Net Proceeds after the Second Reallocation		Unutilized Net Proceeds after the Second Reallocation (as at the date of this announcement)	Expected timeline of full utilization of the Net Proceeds
	<i>HK\$ million</i>	<i>% of net proceeds</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>% of net proceeds</i>	<i>HK\$ million</i>	
	<i>(Note)</i>							
Expansion of our production facilities in Cambodia	25.6	30.0%	(25.6)	–	25.6	30.0%	–	–
Leasing land and construction of production plant	17.2	20.2%	(17.2)	–	17.2	20.2%	–	–
Fitting out works	2.2	2.6%	(2.2)	–	2.2	2.6%	–	–
Purchasing production equipment	6.2	7.2%	(6.2)	–	6.2	7.2%	–	–
Establishing a product development team in Cambodia	12.8	15.0%	(8.6)	4.2	8.6	10.1%	–	–
Upgrading existing software and hardware	8.5	10.0%	(5.0)	3.5	5.0	5.9%	–	–
Refurbishment of the existing facilities	8.5	10.0%	(6.9)	1.6	8.5	10.0%	1.6	Q3 2022
Installing showrooms in Dongguan and Cambodia	8.5	10.0%	(8.5)	–	8.5	10.0%	–	–
Accepting early repayment to suppliers for better terms of trade	–	–	–	–	7.7	9.0%	7.7	Q4 2022
General working capital	21.4	25.0%	(21.4)	–	21.4	25.0%	–	–
	<u>85.3</u>	<u>100.0%</u>	<u>(76.0)</u>	<u>9.3</u>	<u>85.3</u>	<u>100.0%</u>	<u>9.3</u>	

Note: Details of the original allocation and the First Reallocation of the Net Proceeds are set out in the Prospectus and the 2020 Announcement, respectively.

The unutilized Net Proceeds are expected to be fully utilized by the end of 2022.

Save for the First Reallocation and the Second Reallocation, there is no other change in use of the Net Proceeds.

Reasons for and Benefits of the Further Change in Use of the Net Proceeds

It has been more than two years since the outbreak of COVID-19 which paralyzed the daily lives of consumers around the world, and the development and effect of COVID-19 continues to be uncertain. Given that sufficient experienced workers in Cambodia have been recruited and trained and the existing software and hardware have been upgraded that meet our current and immediate future needs, the Board considered that it would be appropriate and prudent to defer the Net Proceeds for (i) recruiting additional experienced workers in Cambodia and (ii) further upgrading the existing software and hardware and apply part of the unutilized Net Proceeds of approximately HK\$7.7 million to accepting early repayment to suppliers for better terms of trade thereby lowering the Group's cost of purchase of raw materials and improving the gross profit margin of the Group. Therefore, the Board estimated that approximately HK\$7.7 million would be allocated for accepting early repayment to suppliers for better terms of trade. The Board will reconsider to recruit additional experienced workers in Cambodia and further upgrade the existing software and hardware to cope with the increase in demand of our products when the business environment improves.

The Board is of the view that the Second Reallocation will allow the Company to deploy its financial resources more effectively to enhance operational and financial efficiency to improve the Group's profitability, and is in the interests of the Group as well as the Shareholders as a whole. The Board believes that the further change in use of the Net Proceeds will not have any material adverse effects on the existing business and operations of the Group.

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

Hong Kong, 31 May 2022

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.