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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)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

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**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2022 (“**1H2022**”) together with the comparative figures for the six months ended 30 September 2021 (“**1H2021**”).

#### **HIGHLIGHTS**

- Revenue for 1H2022 decreased by approximately 21.8% to approximately HK\$247.6 million (1H2021: approximately HK\$316.4 million);
- Gross profit for 1H2022 decreased by approximately 43.8% to approximately HK\$35.0 million (1H2021: approximately HK\$62.3 million);
- Gross profit margin for 1H2022 decreased by approximately 5.6% to approximately 14.1% (1H2021: approximately 19.7%);
- Reversal of provision for impairment of trade receivables for 1H2022 of approximately HK\$2.5 million (1H2021: Provision for impairment of trade receivables of approximately HK\$4.4 million);
- Net profit for 1H2022 attributable to owners of the Company decreased by approximately HK\$10.5 million to approximately HK\$7.3 million (1H2021: approximately HK\$17.8 million);
- Earnings per share attributable to owners of the Company for 1H2022 decreased by approximately HK2.5 cents to approximately HK1.8 cents (1H2021: approximately HK4.3 cents);
- The Board resolved to distribute an interim dividend of HK1.0 cent per ordinary share of the Company (each a “**Share**” and collectively, the “**Shares**”) (1H2021: HK1.5 cents per Share) and no special dividend for 1H2022 (1H2021: HK0.5 cent per Share).

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>Six months ended 30 September</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	6	<b>247,590</b>	316,443
Cost of sales		<b>(212,575)</b>	(254,117)
<b>Gross profit</b>		<b>35,015</b>	62,326
Other income	6	<b>131</b>	402
Other gains/(losses), net	6	<b>5,009</b>	(866)
Selling and distribution expenses		<b>(11,479)</b>	(14,078)
Administrative expenses		<b>(22,449)</b>	(20,313)
Reversal of provision for/(provision for) impairment of trade receivables		<b>2,477</b>	(4,387)
<b>Operating profit</b>		<b>8,704</b>	23,084
Finance income		<b>123</b>	35
Finance costs		<b>(1,438)</b>	(1,060)
Finance costs, net	7	<b>(1,315)</b>	(1,025)
<b>Profit before income tax</b>	8	<b>7,389</b>	22,059
Income tax expenses	9	<b>(1,172)</b>	(4,286)
<b>Profit for the period</b>		<b>6,217</b>	17,773
<b>Profit attributable to:</b>			
Owners of the Company		<b>7,313</b>	17,773
Non-controlling interests		<b>(1,096)</b>	–
		<b>6,217</b>	17,773
		<i>HK cents</i>	<i>HK cents</i>
<b>Basic and diluted earnings per share for profit attributable to owners of the Company</b>	11	<b>1.8</b>	4.3

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>6,217</b>	<b>17,773</b>
<b>Other comprehensive (loss)/income:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
– Currency translation differences	(119)	22
<b>Total comprehensive income for the period</b>	<b>6,098</b>	<b>17,795</b>
Attributable to:		
Owners of the Company	7,194	17,795
Non-controlling interests	(1,096)	–
	<b>6,098</b>	<b>17,795</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	12	24,372	21,682
Property, plant and equipment	13	45,648	51,190
Investment property	14	7,127	–
Financial asset at fair value through profit or loss	15	1,350	1,330
Deferred income tax assets		2,618	2,528
		81,115	76,730
<b>Current assets</b>			
Inventories	16	130,568	142,230
Trade receivables	17	35,917	40,375
Prepayments, deposits and other receivables	17	8,719	17,283
Current income tax recoverable		173	188
Pledged bank deposits	18	23,694	23,638
Cash and cash equivalents	18	131,315	116,547
		330,386	340,261
<b>Total assets</b>		<b>411,501</b>	<b>416,991</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	4,086	4,086
Share premium	19	109,611	109,611
Exchange reserve		2,578	2,697
Capital reserve		21,656	21,656
Retained earnings		112,186	121,218
		250,117	259,268
Non-controlling interests		(1,257)	(161)
<b>Total equity</b>		<b>248,860</b>	<b>259,107</b>

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	12	22,154	20,558
<b>Current liabilities</b>			
Trade and bills payables	20	92,923	107,541
Accruals and other payables	20	19,118	19,527
Current income tax liabilities		8,754	8,318
Lease liabilities	12	3,347	1,940
Dividend payable	10	16,345	–
		140,487	137,326
<b>Total liabilities</b>		<b>162,641</b>	<b>157,884</b>
<b>Total equity and liabilities</b>		<b>411,501</b>	<b>416,991</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total	Non- controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Capital reserve	Retained earnings			
	<i>HK\$'000</i> <i>(Note 19)</i>	<i>HK\$'000</i> <i>(Note 19)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>			
<b>As at 31 March 2021 (Audited)</b>	4,086	109,611	2,620	21,656	98,018	235,991	-	235,991
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	17,773	17,773	-	17,773
<b>Other comprehensive income</b>								
Currency translation difference	-	-	22	-	-	22	-	22
<b>Total comprehensive income</b>	-	-	22	-	17,773	17,795	-	17,795
<b>2020/21 dividend (Note 10)</b>	-	-	-	-	(8,172)	(8,172)	-	(8,172)
<b>As at 30 September 2021 (Unaudited)</b>	<u>4,086</u>	<u>109,611</u>	<u>2,642</u>	<u>21,656</u>	<u>107,619</u>	<u>245,614</u>	<u>-</u>	<u>245,614</u>
<b>As at 31 March 2022 (Audited)</b>	<u>4,086</u>	<u>109,611</u>	<u>2,697</u>	<u>21,656</u>	<u>121,218</u>	<u>259,268</u>	<u>(161)</u>	<u>259,107</u>
<b>Comprehensive income</b>								
Profit/(loss) for the period	-	-	-	-	7,313	7,313	(1,096)	6,217
<b>Other comprehensive loss</b>								
Currency translation difference	-	-	(119)	-	-	(119)	-	(119)
<b>Total comprehensive income/(loss)</b>	-	-	(119)	-	7,313	7,194	(1,096)	6,098
<b>2021/22 dividend (Note 10)</b>	-	-	-	-	(16,345)	(16,345)	-	(16,345)
<b>As at 30 September 2022 (Unaudited)</b>	<u>4,086</u>	<u>109,611</u>	<u>2,578</u>	<u>21,656</u>	<u>112,186</u>	<u>250,117</u>	<u>(1,257)</u>	<u>248,860</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	26,040	(17,476)
Income tax paid	(909)	(808)
	26,040	(17,476)
<b>Net cash generated from/(used in) operating activities</b>	<b>25,131</b>	<b>(18,284)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(5,733)	(241)
Increase in pledged bank deposits	(56)	(10)
Interest received	123	35
	(5,733)	(241)
<b>Net cash used in investing activities</b>	<b>(5,666)</b>	<b>(216)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(1,893)	(1,488)
Interest paid	(855)	(504)
	(1,893)	(1,488)
<b>Net cash used in financing activities</b>	<b>(2,748)</b>	<b>(1,992)</b>
Net increase/(decrease) in cash and cash equivalents	16,717	(20,492)
Cash and cash equivalents at beginning of the period	116,547	110,720
Currency translation difference	(1,949)	1,239
	(1,949)	1,239
<b>Cash and cash equivalents at end of the period</b>	<b>131,315</b>	<b>91,467</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Wah Sun Handbags International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 May 2017 as an exempted limited liability company under the Companies Act (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 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 (together, the “**Group**”) principally manufacture and trade handbag products. The ultimate holding company of the Company is Wah Sun International Holdings Limited (“**Wah Sun Holdings**”), a company incorporated in the British Virgin Islands. The ultimate controlling parties of the Group are all family members within the Ma Family namely Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung who have entered into an acting in concert deed.

The issued shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000), unless otherwise stated.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

It should be read in conjunction with the annual financial statements for the year ended 31 March 2022, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2022 as described therein, except for the estimation of income tax and the adoption of new and amended standards as set out below:

#### (a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning on 1 April 2022 and currently relevant to the Group:

Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Amendments to Annual Improvement Project	Annual improvements 2018–2020 cycle
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations

The adoption of the above amendments to standards did not have any significant impact to the results and financial position of the Group.



**(b) New standards, amendments to existing standards and interpretation have been issued but are not effective during the period and have not been early adopted by the Group**

The Group has not early adopted the following new standards, amendments to existing standards and interpretation that have been issued but are not yet effective for the period:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 April 2023
HK-Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2023
HKFRS 17	Insurance contracts	1 April 2023
HKFRS 17	Amendments to HKFRS 17	1 April 2023
Amendments to HKAS 8	Accounting policies, change in accounting estimates and errors	1 April 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 April 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 April 2023
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, amendments, annual improvements, guideline and interpretation that are not yet effective are expected to have a material impact on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

### **3. ESTIMATES**

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

## **4. FINANCIAL RISK MANAGEMENT**

### **4.1 Financial risk factors**

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022. There have been no significant changes in the risk management policies since year end.

### **4.2 Fair value estimation**

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2022, by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values. The fair value estimation of the financial assets at fair value through profit or loss is set out in Note 15.

## **5. 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 manufacturing and trading of handbag products. The Group has only one operating segment qualified as reporting segment under HKFRS 8. The information is regularly reviewed by the Directors for the purposes of allocating resources and assessing performance of the operating segment in the condensed consolidated interim financial information of the Group. No separate segmental analysis is presented in the condensed consolidated interim financial information.

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

## Geographical information

The Company is domiciled in Hong Kong.

The analysis of revenue by geographical area is as follows:

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
The United States of America (the “US”)	194,257	254,634
Spain	–	3,570
Canada	14,358	17,070
Other countries	38,975	41,169
	<u>247,590</u>	<u>316,443</u>

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 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
	The Kingdom of Cambodia (“Cambodia”)	48,504
The People’s Republic of China (the “PRC”, and for the purpose of this announcement only, excluding the Hong Kong Special Administrative Region (“Hong Kong”), the Macau Special Administrative Region and Taiwan)	18,971	11,583
Hong Kong	9,672	9,967
	<u>77,147</u>	<u>72,872</u>

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

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue:</b>		
Sales of goods	<u>247,590</u>	<u>316,443</u>

Revenue of HK\$308,000 (30 September 2021: HK\$318,000) recognised for the six months ended 30 September 2022 relates to carried-forward contract liabilities in the prior year.

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Other income:</b>		
Sundry income	131	49
Government subsidies ( <i>Note</i> )	—	353
	<u>131</u>	<u>402</u>
<b>Other gains/(losses), net:</b>		
Net exchange gains/(losses)	4,759	(1,145)
Fair value change of financial asset at fair value through profit or loss	20	20
Gain on sales of scrap materials	230	259
	<u>5,009</u>	<u>(866)</u>
	<u>5,140</u>	<u>(464)</u>

*Note:* The amount represents government subsidies from the government of the PRC in respect of the export credit insurance. There are no unfulfilled conditions and other contingencies attached to the government subsidies.

## 7. FINANCE COSTS, NET

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Finance costs:</b>		
– Interest expense on bills payables	(855)	(504)
– Interest expense on lease liabilities	(583)	(556)
	(1,438)	(1,060)
<b>Finance income:</b>		
– Interest income on bank deposits	123	35
Finance costs, net	(1,315)	(1,025)

## 8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	100,495	134,586
Sub-contracting charges	36,849	48,771
Transportation and customs charges	8,707	11,471
Short-term lease payments	144	233
Employee benefit expense ( <i>Note</i> )	82,039	75,758
Depreciation on right-of-use assets	1,471	1,097
Depreciation on property, plant and equipment	3,801	4,370
Legal and professional fees	1,406	1,613
(Reversal of provision for)/provision for impairment of trade receivables	(2,477)	4,387
	(2,477)	4,387

*Note:* As at 30 September 2022 and 2021, the Group had no forfeited contribution available to reduce its existing level of contribution to the retirement benefit schemes in future years.

## 9. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax:		
– Hong Kong profits tax	1,342	6,315
– Overseas taxation	9	80
	<u>1,351</u>	<u>6,395</u>
Deferred income tax	(179)	(2,109)
	<u>1,172</u>	<u>4,286</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the six months ended 30 September 2022, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25% (2021: 8.25%), in accordance with the two-tiered tax rate regime. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

## 10. DIVIDENDS

### Dividends attributable to the previous financial year, approved and paid during the period

A final dividend of HK2.0 cents per Share and a special dividend of HK2.0 cents per Share for the year ended 31 March 2022 amounting to an aggregate of approximately HK\$16,345,000 was approved at the annual general meeting of the Company held on 5 September 2022, and was paid on 27 October 2022.

### Dividends attributable to the period

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interim dividend of HK1.0 cent per Share (30 September 2021: HK1.5 cents per Share)	4,086	6,129
Special dividend of Nil (30 September 2021: HK0.5 cent per Share)	–	2,043
	<u>4,086</u>	<u>8,172</u>

On 21 November 2022, the Directors declared an interim dividend of HK1.0 cent per Share (30 September 2021: HK1.5 cents per Share) and no special dividend (30 September 2021: HK0.5 cent per Share) totalling HK\$4,086,000, which will be payable to the Company's shareholders (the "Shareholders") whose names will appear on the register of members of the Company (the "Register of Members") on 30 December 2022.

## 11. 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 periods.

	<b>Six months ended 30 September</b>	
	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>7,313</b>	17,773
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<b>408,626</b>	408,626
Basic earnings per share ( <i>HK cents</i> )	<b><u>1.8</u></b>	<b><u>4.3</u></b>

### (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 30 September 2022 and 2021.

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Rights-of-use assets

	<b>Land under non-cancellable operating leases</b> <i>(Note)</i> <i>HK\$'000</i>	<b>Land use rights</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 April 2021 (Audited)	23,659	218	23,877
Depreciation	<u>(2,152)</u>	<u>(43)</u>	<u>(2,195)</u>
As at 31 March 2022 (Audited)	<b><u>21,507</u></b>	<b><u>175</u></b>	<b><u>21,682</u></b>
As at 1 April 2022 (Audited)	21,507	175	21,682
Additions	4,487	–	4,487
Depreciation ( <i>Note 8</i> )	(1,449)	(22)	(1,471)
Reclassification to investment property	–	(153)	(153)
Currency translation differences	<u>(173)</u>	<u>–</u>	<u>(173)</u>
<b>As at 30 September 2022 (Unaudited)</b>	<b><u>24,372</u></b>	<b><u>–</u></b>	<b><u>24,372</u></b>

**Lease liabilities** *(Note)*

	<i>HK\$'000</i>
As at 1 April 2021 (Audited)	24,377
Interest expense on lease liabilities	1,097
Payment of lease liabilities	<u>(2,976)</u>
As at 31 March 2022 (Audited)	<u><u>22,498</u></u>
Represents:	
Current portion	1,940
Non-current portion	<u>20,558</u>
	<u><u>22,498</u></u>
As at 1 April 2022 (Audited)	22,498
Additions	4,487
Interest expense on lease liabilities <i>(Note 7)</i>	583
Payment of lease liabilities	(1,893)
Currency translation differences	<u>(174)</u>
As at 30 September 2022 (Unaudited)	<u><u>25,501</u></u>
Represents:	
Current portion	3,347
Non-current portion	<u>22,154</u>
	<u><u>25,501</u></u>

*Note:* As at 30 September 2022, the Group recognised right-of-use assets of HK\$24,372,000 (31 March 2022: HK\$21,507,000) and lease liabilities of HK\$25,501,000 (31 March 2022: HK\$22,498,000) in respect of a lease entered with a related party (Note 21(b)).



### 13. PROPERTY, PLANT AND EQUIPMENT

<b>Net book value:</b>	<i>HK\$'000</i>
As at 1 April 2021 (Audited)	46,584
Additions	12,185
Depreciation charge	(7,662)
Currency translation differences	83
	<hr/>
As at 31 March 2022 (Audited)	51,190
	<hr/> <hr/>
<b>Net book value:</b>	<i>HK\$'000</i>
As at 1 April 2022 (Audited)	51,190
Additions	5,733
Depreciation charge ( <i>Note 8</i> )	(3,801)
Reclassification to investment property	(6,980)
Currency translation differences	(494)
	<hr/>
<b>As at 30 September 2022 (Unaudited)</b>	<b>45,648</b>
	<hr/> <hr/>

### 14. INVESTMENT PROPERTY

	<i>HK\$'000</i>
As at 1 April 2022 (Audited)	–
Reclassification from property, plant and equipment and land use rights	7,133
Currency translation differences	(6)
	<hr/>
<b>As at 30 September 2022 (Unaudited)</b>	<b>7,127</b>
	<hr/> <hr/>

The Group leased a parcel of land in Dongguan, the PRC where the Group's old factory was located (the "**Dongguan Old Factory**") and the rental for the entire lease term, which is expiring in December 2025, was fully settled in 1997. Following the establishment of the principal production facilities of the Group in Cambodia and the relocation of production base from the PRC to Cambodia, the operation of the Dongguan Old Factory was scaled down to cover mainly product development, administration and production support to the Cambodian production facility when required. In July 2022, the Group leased another factory within the Dongguan district with reduced scale that is commensurate with existing and the upcoming business development plan of the Group for relocation of the operation of the Dongguan Old Factory, which was completed in August 2022. On the basis that Dongguan Old Factory will no longer be essential to the Group's future operations, management of the Group is planning to lease out the Dongguan Old Factory to generate rental income until the end of the lease term in 2025.

Accordingly, this industrial property in the PRC has been reclassified as investment property for accounting purposes as at 30 September 2022 and the Group has adopted the cost model under HKAS 40.

## 15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Financial asset at fair value through profit or loss – key management insurance contract	<u>1,350</u>	<u>1,330</u>

### Valuation process

The finance department of the Group includes a team that performs the valuation of the key management insurance contract required for financial reporting purposes, including level 3 fair value.

The main level 3 input used by the Group is derived from and evaluated as follows:

- Discount rates for the key management insurance contract are determined to reflect current market assessments of the true value of money and the risk specific to the asset.

## 16. INVENTORIES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Raw materials	54,615	63,350
Work-in-progress	54,855	66,639
Finished goods	<u>21,098</u>	<u>12,241</u>
	<u>130,568</u>	<u>142,230</u>

The cost of inventories recognised as expense and included in “cost of sales” in the condensed consolidated income statement amounted to HK\$100,495,000 for the six months ended 30 September 2022 (for the six months ended 30 September 2021: HK\$134,586,000).

## 17. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade receivables ( <i>Note</i> )	40,028	77,741
Less: provision for impairment of trade receivables	(4,111)	(37,366)
Trade receivables, net	<u>35,917</u>	<u>40,375</u>
Deposits	1,676	1,124
Prepayments	2,116	2,818
Value-added tax recoverable	4,921	13,327
Other receivables	6	14
	<u>8,719</u>	<u>17,283</u>

The maximum exposure to credit risk as at 30 September 2022 was the carrying value of each class of receivables mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits, trade and other receivables excluding prepayments and value-added tax recoverable approximate their fair values.

*Note:* The credit terms of trade receivables generally range from 30 to 90 days from the invoice date. The ageing analysis of the gross trade receivables based on the invoice date is as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 30 days	11,837	33,919
31 to 60 days	17,427	4,904
61 to 90 days	9,480	3,535
Over 90 days	1,284	35,383
	<u>40,028</u>	<u>77,741</u>

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

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Beginning of the period/year	37,366	37,324
(Reversal of provision for)/provision for impairment	(2,477)	42
Write off	(30,778)	–
End of the period/year	<u>4,111</u>	<u>37,366</u>

## 18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Cash at bank	131,222	116,334
Cash on hand	<u>93</u>	<u>213</u>
Cash and cash equivalents	131,315	116,547
Pledged bank deposits	<u>23,694</u>	<u>23,638</u>
Cash and bank balances	<u><u>155,009</u></u>	<u><u>140,185</u></u>
Maximum exposure to credit risk	<u><u>154,916</u></u>	<u><u>139,972</u></u>

As at 30 September 2022, pledged bank deposits of HK\$23,694,000 (31 March 2022: HK\$23,638,000) were held at bank securing bank facilities and bank borrowings. Cash at bank and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

Certain of the Group's bank balances and deposits denominated in Renminbi ("RMB") are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

## 19. SHARE CAPITAL AND SHARE PREMIUM

The Company was incorporated in the Cayman Islands on 29 May 2017.

### Authorised share capital:

	Number of shares	Nominal value of ordinary shares <i>HK\$'000</i>
As at 31 March 2022 (Audited) and 30 September 2022 (Unaudited)	<u>5,000,000,000</u>	<u>50,000</u>

### Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
As at 31 March 2022 (Audited) and 30 September 2022 (Unaudited)	<u>408,626,000</u>	<u>4,086</u>	<u>109,611</u>

## 20. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	53,599	69,183
Bills payables	<u>39,324</u>	<u>38,358</u>
Trade and bills payables ( <i>Note</i> )	<u>92,923</u>	<u>107,541</u>
Accruals and other payables		
– Accrued salaries	12,271	10,137
– Other accruals and payables	6,539	9,082
– Contract liabilities	<u>308</u>	<u>308</u>
	<u>19,118</u>	<u>19,527</u>
	<u>112,041</u>	<u>127,068</u>

The carrying amounts of the Group's trade and bills payables, accruals and other payables approximate their fair values.

*Note:* The ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Within 30 days	35,450	45,545
31 to 60 days	27,882	18,159
61 to 90 days	4,415	21,291
Over 90 days	<u>25,176</u>	<u>22,546</u>
	<u>92,923</u>	<u>107,541</u>

## 21. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The Directors are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the period:

Name of the related parties	Relationship with the Group
Ms. Ma Lan Chu	Director and ultimate controlling shareholder of the Company
Ms. Ma Lan Heung	Director and ultimate controlling shareholder of the Company
Ms. Dong Yan	Director of a subsidiary
Ms. Yung Ngan Sim	Spouse of Mr. Ma Yum Chee
Ms. Chan Sim Kuen	Spouse of Mr. Ma Hing Man
Ms. Yu Siu Mui	Non-controlling interest of a subsidiary of the Group

- (b) For the six months ended 30 September 2022 and 2021, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Rental expenses paid or payable to related parties		
– Ms. Dong Yan ( <i>Note</i> )	1,488	1,488
– Ms. Ma Lan Chu and Ms. Yung Ngan Sim	–	144
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	84	84
	1,572	1,716
Emolument payable or paid		
– Ms. Yu Siu Mui	399	–
	1,971	1,716

*Note:* As at 30 September 2022, the Group recognised right-of-use assets and lease liabilities (Note 12) in respect of the lease entered into with this related party.

- (c) Key management includes Directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, bonus and other allowances	6,747	5,803
Retirement benefit costs		
– Mandatory Provident Fund Scheme	47	49
	6,794	5,852

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is a non-leather handbag original equipment manufacturer. The Group principally manufactures and trades handbag products.

During 1H2022, the novel coronavirus disease 2019 (the “**COVID-19**”) continued to repeatedly wreak havoc around the world. Although the economies in the US and European Union (the “**EU**”) recovered vigorously, the Group’s customers still had to seek a balance between logistical risks and inventory pressure. Considerable uncertainties remain in the international community, and the era of black swans marks a watershed in the polarization of industry competition.

Major economies in the world have shown recovery and should further improve the overall sentiment. However, the downside risk is increased as the consumer market of the US, which accounted for more than 80% of the Group’s total revenue, may be influenced by the increasing trend of interest rate and inflation rate in the US which may affect their purchasing power and consumer confidence in return. Besides, keen pricing competition from competitors with factories located in Southeast Asia during 1H2022 while operations of these competitors were disrupted by a series of containment measures as a result of the COVID-19 in the last financial year.

In a volatile operating environment, the Group places great emphasis on sustainability and internal control of business operations, and spares no effort to disperse production risks. Against the backdrop of the increasing complexity of global competition and cooperation, Cambodia has continuously become one of the most highly sought-after production bases by global manufacturing enterprises due to its advantages in terms of population, labour costs and cultural standards, as well as the local government’s commitment to ensuring stable operations for supply chain companies. The Group initiated its Cambodian production capacity plan as early as 2013. Currently, the Cambodian production base accounts for approximately 90% of the Group’s total production capacity, combining scale, power, agility and high quality output to effectively cater to the rapid recovery and the large number of orders from the Group’s customers in overseas markets. At the same time, the Cambodian base has also become a precious resource in the supply chain which brand partners are vying to secure, due to its improving core indicators of cost, efficiency and profitability.

The generalised system of preferences program of the US (the “**US GSP**”) which covered a period of three years from 1 January 2018 to 31 December 2020, allowed all eligible goods to the US from all beneficiary countries and territories under the program, including Cambodia, to be exempted from import tariffs. The US GSP program expired on 31 December 2020 accordingly and has yet to be re-authorized by the US Congress as at the date of this

announcement. Nevertheless, the management of the Company (the “**Management**”) believes that Cambodia is still expected to remain as one of the preferred manufacturing locations for its customers due to its relatively low labour costs and relatively stable general political situation when compared with some of the other Southeast Asian countries.

Despite the drastic changes in the markets, the Management prudently and calmly confronted those challenges by swiftly modifying the operation strategies of the Group. For 1H2022, the revenue of the Group decreased by approximately HK\$68.9 million or 21.8% to HK\$247.6 million when compared with that of 1H2021. For 1H2022, profit attributable to owners of the Company decreased by approximately HK\$10.5 million to approximately HK\$7.3 million from approximately HK\$17.8 million for 1H2021.

During 1H2022, the Group leased a parcel of land in Dongguan, the PRC where the Dongguan Old Factory was located and the rental for the entire term of lease was fully settled in 1997 with a then term expiring in December 2025. Following the establishment of the principal production facilities of the Group in Cambodia (the “**Cambodian Production Facility**”) and the relocation of production base from the PRC to Cambodia, the operation of the Dongguan Old Factory was scaled down to mainly for product development and administrative purposes and to provide production support to the Cambodian Production Facility when required. In this regard, the Group leased another factory within the Dongguan district with reduced scale that is commensurate with existing and the upcoming business development plan of the Group for relocation of the operation of the Dongguan Old Factory, which was completed in August 2022. Having considered that the Dongguan Old Factory was not essential for the Group’s future operations, the Group entered into a letter of intent with an independent third party on 7 September 2022 (the “**Letter of Intent**”) to dispose of the Dongguan Old Factory, subject to the results of the due diligence review and further negotiations between both parties (the “**Potential Disposal**”) and both parties may finalise and sign a formal agreement (the “**Formal Agreement**”) on or before 10 November 2022 (the “**Time Limit**”). As no Formal Agreement in relation to the Potential Disposal has been entered into by the end of the Time Limit and no mutual agreement has been reached to further extend the Time Limit, the Letter of Intent ceases to be in effect. Accordingly, the Potential Disposal will not be proceeded. As the Letter of Intent is not legally binding (save for those provisions relating to the exclusivity, expenses, confidentiality, governing law and legal effect), none of the parties thereto shall have any rights, obligations and/or liabilities toward each other or any claims against the other. The halt of the Potential Disposal was not attributable to any fault on the part of the Group. Details of the Potential Disposal are set forth in the Company’s announcements on 7 September, 4 October and 10 November 2022. As the Dongguan Old Factory is surplus to the needs of the Group, the Group will pay attention to the opportunities and the development in the market to bring higher returns to the Shareholders. The Group will also consider taking appropriate steps, including but not limited to leasing out the property for rental income to strengthen cashflow and enhance working capital conditions of the Group.



In respect of industry development, the demand for handbags is primarily driven by the increasing brand awareness among customers at a global level and the surging number of women in the workforce across various sectors. In addition, the increasing preference for sustainable and eco-friendly handbags among customers is offering strong growth opportunities in the market. Handbag manufacturers/brands may offer products made with vegan leather, plant-based and upcycled materials, and sustainable materials. Furthermore, with increased spending on goods through online platforms triggered by a shift in consumer habits in recent years, the market has been experiencing significant growth. Startup e-retailers and e-commerce websites have gained more traction owing to festive/seasonal sales and discounted prices, convenience, and the availability of an extensive range of products on websites.

North America is expected to remain dominant throughout the upcoming financial period. The fashion industry's expanding influence over a wider population is expected to fuel the demand for handbags in the North American region, given the high discretionary wealth of people. Furthermore, clearance sales and Black Friday deals are popular in the US, with women, in particular, crowding to acquire accessories such as purses. During these events, international suppliers in the North American regional market see a boost in sales. The market in the Asia Pacific region is also expected to grow. The rise in consumer buying power and increased number of online shopping platforms have fueled the demand for handbags across the Asia Pacific. Growing fashion consciousness among consumers and spending on personal items and accessories have also supported market growth.

In the post-COVID-19 era and with the uncertainties in the international social and economic environment, the Management are confronted with unprecedented challenges, but are also presented with opportunities not seen before. The Management will continue to take prudent and responsible measures to preserve a healthy financial position to sustain the Group's operations. While the Group expects to continue to face pricing competition from other operators with factories in Southeast Asia, the Group will pay close attention to the development of and the opportunities in the market, new revenue streams and balanced growth to bring sustainable returns to the Shareholders.

The Company attached great importance to Shareholders' return. With due regard to the Company's business development, the Board resolved to distribute an interim dividend of HK1.0 cent per Share (1H2021: HK1.5 cents per Share) and no special dividend (1H2021: HK0.5 cent per Share) for 1H2022.

## FINANCIAL REVIEW

### Revenue

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

The Group's revenue decreased to approximately HK\$247.6 million for 1H2022 from approximately HK\$316.4 million for 1H2021, representing a decrease of approximately 21.8%.

The Group recorded a decrease of revenue from customers in the US by approximately HK\$60.4 million or 23.7% during 1H2022 from approximately HK\$254.6 million for 1H2021 to approximately HK\$194.3 million for 1H2022. This was mainly due to the increasing trend of interest rate and inflation rate in the US which affected their purchasing power and consumer confidence in return.

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

	Six months ended 30 September			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Cambodia	224,164	91	285,950	90
Dongguan, the PRC	23,426	9	30,493	10
	<u>247,590</u>	<u>100</u>	<u>316,443</u>	<u>100</u>

The Group's strategy is to strengthen its customer base by continuing to grow its business with existing customers and capturing greater market share in different markets through sourcing of new customers.

The Group's sales to its top five customers accounted for approximately 91% of the total revenue for 1H2022, with the Group's sales to its largest customer accounting for approximately 31% of the total revenue for 1H2022.

The Group continued to solidify its reputation for high quality products and demonstrated its strong abilities to co-operate well with different types of customers such as the well-known multinational fashion brands in the Group's proven track record.

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

	<b>Six months ended 30 September</b>	
	<b>2022</b> <b>(Unaudited)</b>	2021 <b>(Unaudited)</b>
Revenue ( <i>HK\$'000</i> )	<b>247,590</b>	316,443
Quantities sold ( <i>Unit'000</i> )	<b>3,064</b>	4,505
Average selling price ( <i>HK\$/Unit</i> )	<b>80.8</b>	70.2

The increase in average unit selling price was mainly due to the change in the complexity of products sold which affected the overall average selling price of the Group's products.

### **Cost of sales**

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

The cost of sales decreased to approximately HK\$212.6 million for 1H2022 from approximately HK\$254.1 million for 1H2021, representing a decrease of approximately 16.3%.

The decrease in terms of percentage of the Group's cost of sales was less than that of the revenue decrease during 1H2022 as compared to that for 1H2021. This was mainly due to the keen pricing competition from competitors with factories located in Southeast Asia during 1H2022 while operations of these competitors were disrupted by a series of containment measures as a result of COVID-19 for 1H2021.

### **Gross profit and gross profit margin**

With the factors as mentioned above, the Group's gross profit decreased to approximately HK\$35.0 million for 1H2022 from approximately HK\$62.3 million for 1H2021, representing a decrease of approximately 43.8%, and the Group's gross profit margin decreased to 14.1% for 1H2022 from 19.7% for 1H2021, representing a decrease of 5.6%.

### **Other gains/(losses), net**

The Group's other gains/(losses) primarily consist of (i) net exchange gains of approximately HK\$4.8 million for 1H2022 (1H2021: net exchange losses of approximately HK\$1.1 million) mainly arising from the depreciation of RMB against Hong Kong Dollars ("HK\$") during 1H2022; and (ii) gain on sales of scrap materials of approximately HK\$0.2 million for 1H2022 (1H2021: approximately HK\$0.3 million).

### **Selling and distribution expenses**

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

Selling and distribution expenses decreased to approximately HK\$11.5 million for 1H2022 from approximately HK\$14.1 million for 1H2021, representing a decrease of approximately 18.5%. The decrease was primarily due to the decrease in transportation and customs charges, which was mainly because of the decrease in the level of sales activity.

### **Administrative expenses**

The Group's administrative expenses primarily consist 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.

### **Reversal of impairment of trade receivables**

As at 30 September 2022, the Group assessed the recoverability of trade receivables under the impairment model of HKFRS 9. The assessment included the consideration of ageing of trade receivables, repayment history, payment profile and credit profile of the respective customers. The Group also assessed a forward-looking element which the Group's customers would likely be exposed to under the macro-economic environment. During 1H2022, approximately HK\$3.8 million of the total outstanding balance of approximately HK\$23.2 million, which was fully provided for in the year ended 31 March 2020, has been settled. The customer in question was one of the Group's top five customers, which filed a voluntary petition for relief under the United States Bankrupt Code in the United States Bankrupt Court in May 2020.

Based on the latest information made available to the Board as at the date hereof, the reversal of impairment of trade receivables, determined by way of the expected credit loss model, of approximately HK\$2.5 million has been made and credited to the condensed consolidated income statement of the Group as an expense for 1H2022.

### **Finance costs, net**

Net finance costs increased by approximately HK\$0.3 million or 28.3% from approximately HK\$1.0 million for 1H2021 to approximately HK\$1.3 million for 1H2022.

The increase was mainly due to the increase in the interest expenses for 1H2022.

## **Income tax expenses**

The Group's income tax expenses decreased by approximately HK\$3.1 million or 72.7% from HK\$4.3 million for 1H2021 to approximately HK\$1.2 million for 1H2022.

The decrease was mainly due to the decrease in assessable profit for 1H2022.

## **Profit for the period**

As a result of the foregoing, profit for the period attributable to owners of the Company decreased by approximately HK\$10.5 million or 58.9% to approximately HK\$7.3 million for 1H2022 from approximately HK\$17.8 million for 1H2021 and the net profit margin decreased from 5.6% for 1H2021 to 2.5% for 1H2022.

## **FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES**

### **Borrowings and pledge of assets**

As at 30 September 2022, the Group had no borrowings (31 March 2022: Nil).

Banking facilities were secured by bank deposits of approximately HK\$23.7 million as at 30 September 2022 (31 March 2022: approximately HK\$23.6 million).

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

### **Working capital management**

The Group is committed to maintaining a sound financial policy. The Group continues to improve its operational efficiency in order to improve the health of its 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.

## Liquidity ratios

As at 30 September 2022, the Group had cash and cash equivalents of approximately HK\$131.3 million (31 March 2022: approximately HK\$116.5 million). The Group's current ratio, gearing ratio and net debt to equity ratio are as follows:

	<b>30 September 2022 (Unaudited)</b>	31 March 2022 (Audited)
Current ratio	<b>2.4</b>	2.5
Gearing ratio	<b>Net cash</b>	Net cash
Net debt to equity ratio	<b>Net cash</b>	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 borrowing net of cash and cash equivalents) divided by total equity as at the respective dates.

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

## Financial management, treasury policy and foreign currency exposure

The Group's financial management, treasury policy and foreign currency exposure had not materially changed since the information disclosed in the Group's annual report for the year ended 31 March 2022.

## Employee and remuneration policy

As at 30 September 2022, the Group employed a total of 3,732 employees (31 March 2022: 4,641 employees). It is the policy of the Group to provide a regular review on its employees' pay levels, performance bonus system and other fringe benefits (including social insurance coverage and sponsored training) to ensure that the remuneration policy is competitive within the relevant industry. During 1H2022, staff costs (including Directors' emoluments) amounted to approximately HK\$82.0 million (1H2021: approximately HK\$75.8 million).

In order to provide an incentive or a reward to eligible persons for their contributions to the Group and enable the Group to recruit and retain human resources that are valuable to the Group, the Company adopted a share option scheme on 2 January 2018 (the “**Share Option Scheme**”), under which it may grant options to eligible persons.

No share option has been granted under the Share Option Scheme since its adoption and therefore, no share options lapsed or were granted, exercised or cancelled during 1H2022 and there were no outstanding share options as at 30 September 2022.

### **Development and training**

Continuous development of its staff is one of the crucial successes of the Group. The Group provides on-board trainings and orientation for new incoming staff. In addition, the Group encourages its employees to attend external training courses or seminars during office hours, which are applicable to the industry and relevant to their job duties. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

### **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 1H2022.

### **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 30 September 2022.

### **Capital commitments**

As at 30 September 2022, the Group had no capital commitments (31 March 2022: Nil) in respect of acquisition of property, plant and equipment.

### **Contingent liabilities**

As at 30 September 2022, the Group did not have any significant contingent liabilities (31 March 2022: Nil).

## Events after 1H2022

During 1H2022, the Group leased a parcel of land in Dongguan, the PRC, where the Dongguan Old Factory was located and the rental for the entire term of lease was fully settled in 1997 with a then term expiring in December 2025. Following the establishment of the Cambodian Production Facility and the relocation of production base from the PRC to Cambodia, the operation of the Dongguan Old Factory was scaled down to mainly for product development and administrative purposes and to provide production support to the Cambodian Production Facility when required. In this regard, the Group leased another factory within the Dongguan district with reduced scale that is commensurate with existing and the upcoming business development plan of the Group for relocation of the operation of the Dongguan Old Factory, which was completed in August 2022.

Having considered that the Dongguan Old Factory was not essential for the Group's future operations, the Group entered the Letter of Intent, subject to the results of the due diligence review and further negotiations between both parties, with an independent third party on 7 September 2022 to dispose of the Dongguan Old Factory and both parties may finalise and sign the Formal Agreement on or before 10 November 2022. As no Formal Agreement in relation to the Potential Disposal has been entered into by the end of the Time Limit and no mutual agreement has been reached to further extend the Time Limit, the Letter of Intent shall cease to be in effect. Accordingly, the Potential Disposal will not be proceeded. As the Letter of Intent is not legally binding (save for those provisions relating to the exclusivity, expenses, confidentiality, governing law and legal effect), none of the parties thereto shall have any rights, obligations and/or liabilities toward each other or any claims against the other. The halt of the Potential Disposal was not attributable to any fault on the part of the Group. Details of the Potential Disposal are set forth in the Company's announcements on 7 September, 4 October and 10 November 2022. As the Dongguan Old Factory is surplus to the needs of the Group, the Group will pay attention to the opportunities and the development in the market to bring higher returns to the Shareholders. The Group will also consider taking appropriate steps, including but not limited to leasing out the property for rental income to strengthen cashflow and enhance working capital conditions of the Group.

Save as disclosed above, no material events have occurred after 1H2022 and up to the date of this announcement.

## Interim dividend

The Board has resolved to declare an interim dividend of HK1.0 cent per Share (1H2021: HK1.5 cents per Share) and no special dividend (1H2021: HK0.5 cent per Share) in respect of 1H2022, amounting to an aggregate of approximately HK\$4,086,000, (the "**Interim Dividend**") payable to the Shareholders whose names will appear on the Register of Members on Friday, 30 December 2022. The Interim Dividend will be distributed to such Shareholders on or about Friday, 13 January 2023.



## **Closure of Register of Members**

The Register of Members will be closed from Wednesday, 28 December 2022 to Friday, 30 December 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Interim Dividend, non-registered Shareholders must lodge all completed 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 no later than 4:30 p.m. on Friday, 23 December 2022.

## **USE OF NET PROCEEDS FROM THE LISTING**

On 22 January 2018, the Shares in issue were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**Listing**”, respectively). 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 IPO (the “**Net Proceeds**”) were approximately HK\$85.3 million after the deduction of related Listing expenses.

With reference to the announcement of the Company dated 31 May 2022 (the “**Announcement**”), approximately 9% of the Net Proceeds in an amount of approximately HK\$7.7 million, which represented the remaining balance not yet utilized as at the date of the Announcement and was originally allocated for establishing a product development team in Cambodia and upgrading existing software and hardware as set out in items (ii) and (iii) below, has been reallocated to accepting early repayment to suppliers for better terms of trade (the “**Reallocation**”).

Up to the date of this announcement, the Net Proceeds which have remained unutilised amounted to approximately HK\$1.0 million.

The table below sets out the allocation of the Net Proceeds after the Reallocation as well as utilised and unutilised amounts of the Net Proceeds as at the date of this announcement:

	Allocation of Net Proceeds after the Reallocation		Utilized amount (as at the date of this announcement)	Unutilized Net Proceeds (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>	
<b>Expansion of the Group's production facilities in Cambodia</b>	25.6	30.0%	(25.6)	-	-
Leasing land and construction of production plant	17.2	20.2%	(17.2)	-	-
Fitting out works	2.2	2.6%	(2.2)	-	-
Purchasing production equipment	6.2	7.2%	(6.2)	-	-
<b>Establishing a product development team in Cambodia</b>	8.6	10.1%	(8.6)	-	-
Upgrading existing software and hardware	5.0	5.9%	(5.0)	-	-
Refurbishment of the existing facilities	8.5	10.0%	(8.5)	-	-
Installing showrooms in Dongguan and Cambodia	8.5	10.0%	(8.5)	-	-
Accepting early repayment to suppliers for better terms of trade	7.7	9.0%	(6.7)	1.0	Q4 2022
General working capital	21.4	25.0%	(21.4)	-	-
	<u>85.3</u>	<u>100.0%</u>	<u>(84.3)</u>	<u>1.0</u>	

In particular, as at the date of this announcement,

- (i) regarding the expansion of the Group's 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\$8.6 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 the Group's information technology infrastructure as planned;

- (iv) regarding refurbishment of the existing facilities, approximately HK\$8.5 million has been used for refurbishment of the existing showroom, workshop and ancillary office as planned;
- (v) regarding installing showrooms in Dongguan, the PRC and Cambodia, approximately HK\$8.5 million has been used for installing showrooms in the Group's production bases in Dongguan, the PRC and Cambodia as planned; and
- (vi) regarding accepting early repayment to suppliers for better terms of trade, approximately HK\$6.7 million has been used for accepting early repayment to suppliers as planned.

As at 30 September 2022, the unutilised Net Proceeds were deposited in short-term demand deposits with a licensed bank in Hong Kong.

To the extent practicable and in the best interests of the Company and the Shareholders as a whole, the Directors intend to continue to apply the remaining Net Proceeds in accordance with the uses and in the proportions as stated in the Reallocation. Nonetheless, the Directors will constantly evaluate the Group's business objectives and may change or modify the plan in line with changing market conditions to attain the business growth of the Group.

## **CORPORATE GOVERNANCE**

During 1H2022, the Company had adopted and complied with all applicable code provisions in all material respects as set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**" and the "**CG Code**", respectively) and did not deviate from any code provision.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”), were as follows:

### (i) Interest in the Company

Name of Directors/ Chief executive	Capacity/Nature of interest (Note 1)	Number of Shares/ underlying Shares interested (L) (Note 2)	Approximate percentage of the Company's issued Shares*
Mr. Ma Hing Man	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Mr. Ma Hing Ming	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Ms. Ma Lan Chu	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Mr. Ma Yum Chee	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Ms. Ma Lan Heung	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%

*Notes:*

1. Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung have decided to restrict their ability to exercise direct control over the Company by holding their interests through a common investment entity, Wah Sun International Holdings Limited (“**Wah Sun Holdings**”). Wah Sun Holdings’ entire issued share capital is personally held by each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung as to 20%. They are also parties to an acting in concert deed dated 24 June 2017 (the “**Acting In Concert Deed**”), pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and the Company, and to vote on any resolution to be passed at any shareholders’ meeting of Wah Sun Holdings and the Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares of Wah Sun Holdings held by each of them in aggregate and all the shares held by Wah Sun Holdings under the SFO.
  2. The letter “L” denotes the person’s long position in such Shares.
- \* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 408,626,000 as at 30 September 2022.

**(ii) Interest in Associated Corporation**

<b>Name of Directors</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature of interest (Note 1)</b>	<b>Number of shares held (L) (Note 2)</b>	<b>Percentage of interest</b>
Mr. Ma Hing Man	Wah Sun Holdings	Beneficial owner, interest held jointly with other persons	5	100%
Mr. Ma Hing Ming	Wah Sun Holdings	Beneficial owner, interest held jointly with other persons	5	100%
Ms. Ma Lan Chu	Wah Sun Holdings	Beneficial owner, interest held jointly with other persons	5	100%
Mr. Ma Yum Chee	Wah Sun Holdings	Beneficial owner, interest held jointly with other persons	5	100%
Ms. Ma Lan Heung	Wah Sun Holdings	Beneficial owner, interest held jointly with other persons	5	100%

*Notes:*

1. Wah Sun Holdings is a direct Shareholder and is an associated corporation of the Company within the meaning of Part XV of the SFO. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is personally interested in one share of US\$1.00 in Wah Sun Holdings, representing 20% of the entire issued share capital of Wah Sun Holdings. Each of them is also a party to the Acting In Concert Deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and the Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and the Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares in Wah Sun Holdings held by each of them in aggregate under the SFO. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is a director of Wah Sun Holdings.
2. The letter "L" denotes the person's long position in such shares.

Save as disclosed above, as at 30 September 2022, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 September 2022, so far as is known to the Directors, the following entity or persons other than the Directors and chief executive of the Company, had interests or short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

### **Long Position in the Shares**

<b>Name of Shareholders</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares interested or held (L) (Note 1)</b>	<b>Approximate percentage of the Company's issued Shares*</b>
Wah Sun Holdings (Notes 2 and 3)	Beneficial owner	301,138,000	73.70%
Ms. Chan Sim Kuen (Note 4)	Interest of a spouse	301,138,000	73.70%
Ms. Wu Yu Ling (Note 5)	Interest of a spouse	301,138,000	73.70%
Ms. Yung Ngan Sim (Note 6)	Interest of a spouse	301,138,000	73.70%

*Notes:*

1. The letter “L” denotes the person’s long position in such Shares.
  2. Wah Sun Holdings is a direct Shareholder.
  3. Wah Sun Holdings is beneficially owned as to 20% each by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung. Each of them is also a party to the Acting In Concert Deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and the Company, and to vote on any resolution to be passed at any shareholders’ meeting of Wah Sun Holdings and the Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares in Wah Sun Holdings held by each of them in aggregate under the SFO.
  4. Ms. Chan Sim Kuen is the spouse of Mr. Ma Hing Man. Ms. Chan Sim Kuen is deemed to be interested in the same number of Shares in which Mr. Ma Hing Man is deemed to be interested by virtue of Part XV of the SFO.
  5. Ms. Wu Yu Ling is the spouse of Mr. Ma Hing Ming. Ms. Wu Yu Ling is deemed to be interested in the same number of Shares in which Mr. Ma Hing Ming is deemed to be interested by virtue of Part XV of the SFO.
  6. Ms. Yung Ngan Sim is the spouse of Mr. Ma Yum Chee. Ms. Yung Ngan Sim is deemed to be interested in the same number of Shares in which Mr. Ma Yum Chee is deemed to be interested by virtue of Part XV of the SFO.
- \* The percentage represents the number of the Shares interested divided by the number of issued Shares of 408,626,000 as at 30 September 2022.

Save as disclosed above, as at 30 September 2022, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests and/or short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During 1H2022, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct governing the securities transactions by the Directors. In response to a specific enquiry made by the Company of each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code throughout 1H2022. The Model Code also applies to other specified senior management of the Group in respect of their dealings in the Company’s securities.

## **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS**

None of the Directors or the controlling Shareholders (as defined under the Listing Rules) or their respective close associates (as defined under the Listing Rules) (a) had interests in any business apart from the Group's business which competed or was likely to complete, either directly or indirectly, with the businesses of the Group; and (b) had or might have any other conflicts of interest with the Group, during 1H2022.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors and was established on 2 January 2018 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3.3 (which has been renumbered as code provision D.3.3 since 1 January 2022) of the CG Code, and reports to the Board. The Audit Committee has reviewed and discussed with the Board the unaudited condensed consolidated financial statements of the Group for 1H2022 (the "**Condensed Consolidated Financial Statements**") and this announcement. PricewaterhouseCoopers, as the Company's independent auditor, has reviewed the Condensed Consolidated Financial Statements in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS**

The Company believes that maintaining a high level of transparency is key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and the investing public. The Company updates the Shareholders on its latest business developments and financial performance through its circulars, announcements as well as annual and interim reports. The corporate website of the Company (<https://www.wahsun.com.hk>) has provided an effective communication platform to the public and the Shareholders.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.wahsun.com.hk](http://www.wahsun.com.hk). The interim report of the Company for 1H2022 will be dispatched to the Shareholders and made available on the website of the Stock Exchange and that of the Company in due course.



## **APPRECIATION**

The Board would like to take this opportunity to extend its heartfelt gratitude to the Management team and its colleagues for their contributions and hard work to the development of the Group. In particular, in the face of the current adversity, the Board would like to express its sincere appreciation to all the colleagues for their continuous professionalism in and commitment to their positions, facing the challenges together with joint efforts. At the same time, the Board would like to extend its sincere gratitude to the Group's customers for their support and trust over the years, and thank the Shareholders, business partners and suppliers for their long term trust in the Group. The Group will continue to strive for progress in the spirit of innovation, grow together with business partners, and promote the long-term sustainable development of the Group's business.

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

Hong Kong, 21 November 2022

*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 independent non-executive Directors.*