



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

2018
ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ma Hing Man (*Chairman*)
Mr. Ma Hing Ming (*Chief Executive Officer*)
Ms. Ma Lan Chu
Mr. Ma Yum Chee
Ms. Ma Lan Heung

Independent Non-Executive Directors

Mr. Lam Kwok Cheong
Mr. Wong Wai Keung Frederick
Mr. Yeung Chi Wai

BOARD COMMITTEES

Audit Committee

Mr. Wong Wai Keung Frederick (*Chairman*)
Mr. Lam Kwok Cheong
Mr. Yeung Chi Wai

Remuneration Committee

Mr. Lam Kwok Cheong (*Chairman*)
Mr. Ma Hing Man
Mr. Ma Hing Ming
Mr. Wong Wai Keung Frederick
Mr. Yeung Chi Wai

Nomination Committee

Mr. Yeung Chi Wai (*Chairman*)
Mr. Ma Hing Man
Mr. Ma Hing Ming
Mr. Lam Kwok Cheong
Mr. Wong Wai Keung Frederick

Risk Management Committee

Mr. Wong Wai Keung Frederick (*Chairman*)
Mr. Lam Kwok Cheong
Mr. Yeung Chi Wai

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 9, 6/F., Wah Yiu Industrial Centre
30-32 Au Pui Wan Street
Fo Tan, Shatin
New Territories, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Li Yat Tin Dominic
Ms. Ho Yin Kwan

AUTHORISED REPRESENTATIVES

Mr. Ma Hing Ming
Mr. Li Yat Tin Dominic

COMPLIANCE ADVISER

DBS Asia Capital Limited
17th Floor, The Center
99 Queen's Road Central
Hong Kong



Corporate Information

LEGAL ADVISER AS TO HONG KONG LAW

Howse Williams Bowers
27/F, Alexandra House
18 Charter Road
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
22/F., Prince's Building
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F., 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
11th Floor
The Center
99 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
14th Floor
Bank of China Tower
1 Garden Road
Hong Kong

Dah Sing Bank Limited
36th Floor
Everbright Centre
108 Gloucester Road
Hong Kong

COMPANY'S WEBSITE

www.wahsun.com.hk

STOCK CODE

2683







Chairman's Statement

Chairman's Statement



Ma Hing Man
Chairman



Chairman's Statement



The issued shares of Wah Sun Handbags International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” and the “**Shares**”, respectively) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 22 January 2018 (the “**Listing**”). On behalf of the Group, I would like to express our gratitude to our business partners and to all parties who have contributed to the Listing.

EXPANSION OF OUR PRODUCTION FACILITIES IN CAMBODIA

Subsequent to the successful Listing, the Group continues to expand its production facilities and improve its production capacity in Kingdom of Cambodia (“**Cambodia**”). The expansion plan of our Cambodia factory is divided into three phases. The first phase, including a new production plant and a new office, has been completed by the end of March 2018.

Under the second phase and third phase of our expansion plan, we plan to construct production plants with gross floor area of around 12,000 sq.m. and 10,000 sq.m., respectively. We do not anticipate any material difficulty in leasing suitable site for our expansion plan. We have located suitable site for

the second phase and third phase of our expansion plan, which is situated across our current Cambodia factory. We are in negotiation with the landlord for leasing the land (or part of it) but has not entered into any legally binding agreement in respect of the lease of the site. In selecting the appropriate site, we take into account factors such as proximity to our current Cambodia factory, area of the site, rent and term of the lease offered by the landlord.

Our directors (the “**Directors**”) believe that as our business further develops, expansion of our production facilities allows us to meet the increasing demand. The increase in our production lines also enables us to maintain our relationships with our existing customers and expand our customer base. Going forward, we intend to maintain our production facilities in the People’s Republic of China (the “**PRC**” or “**China**”) primarily for non-manufacturing functions such as order management, product development and raw material procurement and primarily utilise the production facilities in Cambodia for manufacturing. Following this strategy to expand the production facilities and shift our manufacturing functions to Cambodia, we expect that the amount of sub-contracting work required in the PRC will decrease as those works are manufacturing related.

Chairman's Statement

EXTENSION OF THE US'S GENERALIZED SYSTEM OF PREFERENCES PROGRAMME

Pursuant to the U.S. Generalized System of Preferences ("GSP") programme, various products manufactured in countries deemed by the U.S. Executive Branch as Least Developed Beneficiary Developing Countries receive exemptions from import tariffs for various baskets of goods, even though such countries have not entered into a reciprocal free trade agreement with the U.S.

Cambodia is one of 120 nations included in the US's GSP programme with the aim of promoting economic growth in the developing countries. With that said, the GSP programme was expired on 31 December 2017.

The extension of GSP Programme is part of the Consolidated Appropriations Act, 2018, an omnibus spending bill signed into law by President Donald Trump on 23 March 2018.

The restoration of US's GSP programme became effective on 22 April 2018, renewing access to duty-free privileges for Cambodian exporters, which would include handbags and luggage manufactured in Cambodia.

As with past acts extending the GSP programme, the bill is retroactive, meaning that eligible GSP merchandise entering the US between 31 December 2017, and the effective date of the extension, 22 April 2018, will be eligible for refunds of duty.

Instead of subject to annual renewal like prior years, the extension of GSP Programme this time is for three years and will expire on 31 December 2020. Our Group believes this will attract more customers to consider importing from Cambodian manufacturers.

STRENGTHENING AND BROADENING OUR CUSTOMER BASE

Our customers are mainly located in the North America and Europe and our customers are mostly

overseas brand owners, brand licensees and sourcing companies. The success of our business depends on our ability to maintain and expand the volume of businesses with our existing customers and to source and develop new customers.

We plan to continue to leverage our market leading position and high-quality services to maintain our relationships with our existing customers and to attract new internationally well-known brand customers, particularly fast fashion brand customers. We believe our strength in accommodating variations in customer requirements and fulfilling large orders on short notice has bred loyalty among our customers. Further, we believe that the expected growth in the fast fashion market globally provides us with an opportunity to capitalise on our competitive strengths and strengthen and broaden our customer base and increase our market share.

To achieve this end, we will continue to work closely with our existing customers to provide better services and products to them at competitive prices to further solidify our relationships. We also intend to install showrooms in our production base in Cambodia and the PRC to better promote and showcase our products to customers when they visit our production facilities. As our key customers are fashion conglomerates and their sourcing companies, we believe such strategy will allow us to leverage our existing customer relationships to carry out follow-on development of potential customers and cross-selling opportunities with the sister brands of our existing end customers.

We believe our long-standing and proven business track record in the handbag industry can help us solidify our existing client relationships and source new customers.

Ma Hing Man
Chairman

Hong Kong, 27 June 2018

Management Discussion and Analysis

FINANCIAL REVIEW

Profitability analysis

Revenue

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

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

	Year ended 31 March			
	2018		2017	
	HK\$'000	%	HK\$'000	%
Cambodia	487,028	69.8	327,789	48.4
Dongguan, PRC	210,464	30.2	349,425	51.6
	697,492	100.0	677,214	100.0

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

	Year ended 31 March	
	2018	2017
Revenue (HK\$'000)	697,492	677,214
Quantities sold (Unit'000)	13,841	12,101
Average selling price (HK\$/Unit)	50.4	56.0

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

Gross profit and gross profit margin

Our gross profit increased by HK\$12.7 million, or approximately 9.1%, from HK\$139.6 million for the financial year ended 31 March 2017 ("Year 2017") to HK\$152.3 million for the financial year ended 31 March 2018 ("this Year"). Our gross profit margin also increased by 1.2%, from 20.6% in Year 2017 to 21.8% this Year, which was primarily due to the increase in production capacity in our Cambodia factory with higher gross profit margin due to its relatively lower staff costs and economies of scale compared to the production in the PRC. As handbags exported from Cambodia enjoy preferential tariff treatment in Canada, member states of the European Union and Japan, there is high demand for production capacity in Cambodia. Our Group therefore enjoyed

Management Discussion and Analysis

a relatively higher gross profit margin for products manufactured in Cambodia. Further, with the increased production capacity in Cambodia, less orders were passed to subcontractors, this has further improved our Group's gross profit margin.

Administrative expenses

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

Net profit and adjusted net profit

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

Financial position, liquidity and financial resources

Borrowings

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

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

Working capital management

The Group has committed to maintaining sound financial policy. The Group continues to improve its operational efficiency in order to improve the healthiness of the working capital. The Group has normally funded the working capital requirements primarily through capital contributions from the shareholders of the Company (the "Shareholders"), bank borrowings and net cash generated from the operating activities. 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 31 March 2018, the Group had cash and cash equivalents of approximately HK\$108.9 million (31 March 2017: approximately HK\$51.4 million). The Group's current ratio, gearing ratio and net debt to equity ratios are as follows:

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

Management Discussion and Analysis

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

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

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

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

Foreign currency exposure

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

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

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

PROSPECTS

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

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

DIVIDENDS

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

The board of Directors of the Company (the “**Board**”) has resolved to recommend the payment of a final dividend of HK\$1.0 cent per Share this Year.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ma Hing Man (馬慶文), aged 60, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our chairman and executive Director on 19 June 2017. He is also a director of Wah Sun Hand-Bag Factory Co., Limited (“**Wah Sun HK**”), a business manager of Dongguan Quickmind Handbag Factory Co., Ltd. (“**Dongguan Quickmind**”), and a general manager of each of Union Gold Holdings Limited (“**Union Gold**”) and Wah Sun HK Factory (Cambodia) Co., Ltd. (“**Wah Sun Cambodia**”). Mr. Ma Hing Man is primarily responsible for overseeing our Group’s overall operation, production and quality control management.

Mr. Ma Hing Man has over 29 years of experience in manufacturing and trading industry. He served as a director of Pok Oi Hospital from 2004 to 2010, where he was mainly responsible for strengthening and promoting the diversified charitable services. He was the principal of POH 80th Anniversary Tang Ying Hei College from 2009 to 2010. He is currently the president of the Liaobu branch of the Dongguan City Association of Enterprises with Foreign Investment.

Mr. Ma Hing Man is one of our controlling Shareholders. He is the elder brother of Mr. Ma Hing Ming and the younger brother of Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung, all of whom are our executive Directors and are also our controlling Shareholders.

Mr. Ma Hing Ming (馬慶明), aged 54, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director and chief executive officer on 19 June 2017. He is also a director of each of Wah Sun HK and Wah Sun Cambodia, and a marketing manager of each of Union Gold, Dongguan Quickmind and Wah Sun Cambodia. Mr. Ma Hing Ming is primarily responsible for overseeing our Group’s market development, sales and customer relationships management. Mr. Ma Hing Ming has over 29 years of experience in manufacturing and trading industry.

Mr. Ma Hing Ming is one of our controlling Shareholders. He is the younger brother of Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung, all of whom are our executive Directors and are also our controlling Shareholders.

Ms. Ma Lan Chu (馬蘭珠), aged 63, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director on 19 June 2017. She is also a director of each of Union Gold, Wah Sun HK and Wah Sun Cambodia, and a financial manager of each of Dongguan Quickmind and Wah Sun Cambodia. Ms. Ma Lan Chu is primarily responsible for supervising our Group’s financial management, fund raising and capital management. Ms. Ma Lan Chu has over 29 years of experience in manufacturing and trading industry.

Ms. Ma Lan Chu is one of our controlling Shareholders. She is the elder sister of Mr. Ma Hing Man and Mr. Ma Hing Ming and the younger sister of Mr. Ma Yum Chee and Ms. Ma Lan Heung, all of whom are our executive Directors and are also our controlling Shareholders.

Mr. Ma Yum Chee (馬任子), aged 66, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director on 19 June 2017. He is also a director of Dongguan Quickmind, and a production manager of each of Union Gold, Wah Sun HK and Wah Sun Cambodia. Mr. Ma Yum Chee is primarily responsible for overseeing our Group’s production and quality control management. Mr. Ma Yum Chee has over 29 years of experience in manufacturing and trading industry.

Biographies of Directors and Senior Management

Mr. Ma Yum Chee is one of our controlling Shareholders. He is the elder brother of Mr. Ma Hing Man, Mr. Ma Hing Ming and Ms. Ma Lan Chu and the younger brother of Ms. Ma Lan Heung, all of whom are our executive Directors and are also our controlling Shareholders.

Ms. Ma Lan Heung (馬蘭香), aged 70, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director on 19 June 2017. She is also a production manager of each of Union Gold, Wah Sun HK, Dongguan Quickmind and Wah Sun Cambodia. Ms. Ma Lan Heung is primarily responsible for overseeing our Group's production and quality control management. Ms. Ma Lan Heung has over 29 years of experience in manufacturing and trading industry.

Ms. Ma Lan Heung is one of our controlling Shareholders. She is the elder sister of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu and Mr. Ma Yum Chee, all of whom are our executive Directors and are also our controlling Shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Kwok Cheong (林國昌), aged 64, was appointed as our independent non-executive Director (the "INED") on 2 January 2018. He is mainly responsible for supervising and providing independent advice to our Board.

Mr. Lam has over 38 years of experience as a practicing solicitor. He obtained a bachelor's degree in law from the University of Hong Kong in November 1976. He is currently an independent non-executive director of Prosten Health Holdings Ltd., a company listed on GEM of the Stock Exchange (stock code: 8026) since June 2015. He was an independent non-executive director of GCL New Energy Holdings Limited (formerly known as "Same Time Holdings Limited") (stock code: 451) from November 1997 to May 2014, and an independent non-executive director of Southwest Securities International Securities Limited (stock code: 812) from November 2013 to September 2016, both companies are listed on the Main Board of the Stock Exchange. He was a non-executive director of China Ocean Fishing Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8047) from June 2015 to July 2015. He was an independent non-executive director of Mega Medical Technology Limited (formerly known as "Wing Lee Holdings Limited" and "Wing Tai Investment Holdings Limited"), a company listed on the Main Board of the Stock Exchange (stock code: 876) from September 2004 to June 2014, and re-designated as a non-executive director from June 2014 to June 2016. Mr. Lam confirmed that he did not provide any professional services to the Group during the financial years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 (the "Track Record Period").

Mr. Lam is a Justice of the Peace, a holder of Bronze Bauhinia Star (BBS) and a solicitor of the High Court of Hong Kong. Mr. Lam is currently a member of the Buildings Ordinance Appeal Tribunal Panel, a member of the Panel of Adjudicators of Obscene Articles Tribunal, an Ex-Officio Member of Heung Yee Kuk New Territories, a Civil Celebrant of Marriages, a China appointed Attesting Officer and a fellow of The Hong Kong Institute of Directors.

Mr. Wong Wai Keung Frederick (黃煒強), aged 62, was appointed as our INED on 2 January 2018. He is mainly responsible for supervising and providing independent advice to our Board.

Biographies of Directors and Senior Management

He is currently an independent non-executive director of Perfect Group International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3326) since December 2015. He acted as the chief financial officer, since 18 September 2017, and the company secretary and authorised representative, since 25 September 2017, of Asia Investment Finance Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0033) until he resigned from all such positions on 3 November 2017. He was an executive director of China Solar Energy Holdings Limited (formerly known as “Hwa Kay Thai Holdings Limited”), a company listed on the Main Board of the Stock Exchange (stock code: 155) from April 1996 to March 1999. From January 2001 to January 2011, Mr. Wong was the chief financial officer and company secretary of CIG Yangtze Ports PLC, a company initially listed on GEM of the Stock Exchange (stock code: 8233) before it was transferred to the Main Board on 29 January 2018 (stock code: 1719), and has been an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of such company since April 2014 and the chairman of the nomination committee of such company since October 2015. Mr. Wong had been the chief financial officer of APAC Resources Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1104), since January 2011 and also acted as the company secretary of the company between April 2011 and December 2011 and since February 2013 until he resigned from such positions in July 2016 and served as a consultant to the company between August 2016 to October 2016. Mr. Wong confirmed that he did not provide any professional services to the Group during the Track Record Period.

Mr. Wong obtained a master’s degree in electronic commerce from Edith Cowan University in Western Australia in February 2002 which was completed through distance learning. He has been a fellow member of the Institute of Chartered Accountants in England and Wales since December 1993 and a fellow member of the Hong Kong Institute of Certified Accountants (formerly named as Hong Kong Society of Accountants) since June 1991.

Mr. Yeung Chi Wai (楊志偉), aged 57, was appointed as our INED on 2 January 2018. He is mainly responsible for supervising and providing independent advice to our Board.

Mr. Yeung has over 28 years of experience in accounting, finance and audit. He is the founder and director of Edwin Yeung & Company (CPA) Limited, which was incorporated in 2008. Mr. Yeung has been currently an independent non-executive director of China Outfitters Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1146) since June 2011. Mr. Yeung has been a director of Accounting Development Foundation Limited since 2012. Mr. Yeung was an independent non-executive director of Noble House (China) Holdings Limited (now known as Northern New Energy Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8246) from October 2013 to October 2014. He is a member of the Chinese People’s Political Consultative Conference in Shandong Province, a committee member of Home Purchase Allowance Appeals Committee and a member of the Appeal Board Panel (Town Planning), an independent statutory body established by the Government of Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”). Mr. Yeung confirmed that he did not provide any professional services to the Group during the Track Record Period.

Mr. Yeung has been an associate of the Chartered Association of Certified Accountants since 1988. He became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. He is also a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. He has been a fellow member of the Association of Chartered Certified Accountants since 1993, an associate of the Institute of Chartered Accountants in England and Wales since 2005 and a fellow member of CPA Australia since 2010. He was the president of the Society of Chinese Accountants and Auditors in 2008 and is currently the chairman of its membership and promotion committee. He was awarded the Medal of Honour by the Government of Hong Kong in 2010.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Our senior management team consists of four members, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Company.

Mr. Li Yat Tin Dominic (李逸天), aged 34, was appointed as the financial controller and one of the joint company secretaries of our Company on 19 June 2017. He joined our Group as a financial controller of Wah Sun HK on 1 May 2017. Mr. Li is primarily responsible for overseeing the accounting activities and internal control.

Mr. Li has over seven years of experience in accounting, auditing and related experience. Prior to joining our Group, he worked in PricewaterhouseCoopers in Hong Kong, an accounting firm, from September 2010 to November 2015, as an associate and was promoted to a senior associate in October 2012, where he was involved in a number of accounting engagements as the reporting accountant of initial public offerings and, debt and capital market transactions and the auditor of annual audits of various public and non-public companies. From November 2015 to April 2017, he worked in Ernst & Young in Hong Kong, an accounting firm, as a manager of financial services department, where he was involved in a number of initial public offering engagements as the reporting accountant and the annual audits of various public and non-public companies.

Mr. Li obtained a bachelor's degree in computing from Monash University, Australia in November 2006. In March 2009, he obtained a master's degree in professional accounting from La Trobe University, Australia. He is a certified practising accountant of CPA Australia since August 2009.

Mr. Lee Chi Wing (李志榮), aged 50, was appointed as the procurement general manager of our Company on 3 April 2017. He joined our Group as a procurement manager of Wah Sun HK in February 2001. Mr. Lee is primarily responsible for overseeing material procurement, quality control and inventory management.

Mr. Lee has over 23 years of experience in procurement. Prior to joining our Group, he worked in Good Loyal Industries Ltd. in Hong Kong, a manufacturing and trading company, as a purchasing clerk, from October 1994 to September 1995. From October 1995 to September 1997, he worked in House of Mercury Ltd. in Hong Kong, a manufacturing and trading company, as a purchasing clerk, where he was mainly responsible for handling and sourcing of material and accessories for the purchase department. From December 1997 to August 1999, he worked in Junsen Company Limited in Hong Kong, a manufacturing and trading company, as a shipping clerk, where he was mainly responsible for following up the material import from Hong Kong to China factory, and was promoted to a purchase manager in August 1999, where he was mainly responsible for following up the shipping, purchase orders, dealing and price negotiation with suppliers, and assisting the merchandiser to develop new raw material for the sales department. Mr. Lee left the said company in December 2000 and joined our Group in February 2001.

Mr. Lee completed the form three at St. Lucas' College in 1984.

Biographies of Directors and Senior Management

Ms. Ng Yuk Chun (吳玉珍), aged 47, was appointed as the logistics general manager of our Company on 3 April 2017. She joined our Group as a logistics manager of Wah Sun HK in June 2008. Ms. Ng is primarily responsible for overseeing shipping and logistic arrangements and customs clearance.

Ms. Ng has over 13 years of experience in business management. Prior to joining our Group, Ms. Ng worked in Fashion Concept Manufacturing Limited (currently known as China Products & Fashion Bag Manufacturing Limited), a manufacturing company and from July 2004 to March 2008, she worked in 德恩富科技股份有限公司 (Delphi Technology Inc.), a manufacturing company, as a deputy manager responsible for administration management.

Ms. Ng completed the 1990 Hong Kong Certificate of Education Examination presented by Maria College of Hong Kong in 1990.

Mr. Luk Ming On (陸銘安), aged 36, was appointed as the business general manager of our Company on 3 April 2017. He joined our Group as a business manager of Wah Sun HK in July 2008. Mr. Luk is primarily responsible for liaison officer of two multinational fashion chains and responsible for attending all business matters with the said multinational fashion chains.

Mr. Luk has over nine years of experience in business management. Prior to joining our Group, he worked in Ansin Employment Services in Hong Kong, from April 2003 to February 2004, as a clerk. From April 2004 to August 2007, he worked in Vishow Co., Limited in Hong Kong, a trading company, as an assistant purchaser, where he was mainly responsible for procurement. From July 2007 to March 2008, he worked in Hop Hing Electronic Enterprise in Hong Kong, a trading company, as a warehouse officer, where he was mainly responsible for warehouse routine operations, receiving of goods, inventory control and issuing stock according to delivery schedule.

Mr. Luk completed the advanced level course at Maria College of Hong Kong in June 2001.

JOINT COMPANY SECRETARIES

Mr. Li Yat Tin Dominic (李逸天) was appointed as one of the joint company secretaries of our Company on 19 June 2017. For details of his background, see the paragraph headed “Senior Management” in this section.

Ms. Ho Yin Kwan (何燕群), aged 41, was appointed as one of the joint company secretaries of our Company on 19 June 2017.

Ms. Ho has over 15 years of experience in providing company secretarial services to both private and listed companies incorporated in difference jurisdictions. She was an associate director of Corporate and Company Secretarial Services of Thomas Lee and Partners Limited from May 2011 to May 2018. Ms. Ho obtained a bachelor's degree in business and finance from the University of Portsmouth, UK. She also obtained a master's degree in corporate governance from the Open University of Hong Kong. Ms. Ho is a Chartered Secretary and a member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in UK.

Ms. Ho is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.



Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for this Year (the “**Consolidated Financial Statements**”).

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 15 to the Consolidated Financial Statements.

An analysis of the Group's performance for this Year is set out in Note 5 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the Group's business during this Year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's financial key performance, particulars of important events affecting the Group during this Year, and an indication of likely future developments in the Group's business, the company's compliance with the relevant laws and regulations that has a significant impact on the company, an account of the company's key relationships with its employees, customers and suppliers and others that have a significant impact on the company and on which the company's success depends, can be found in the section headed “Management Discussion and Analysis” set out on pages 9 to 11 of this annual report.

RESULTS AND FINAL DIVIDEND

The results of the Group for this Year are set out in the consolidated income statement on page 47 of this annual report.

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per Share, amounting to an aggregate of approximately HK\$4,086,000 for this Year (the “**Final Dividend**”) (Year 2017: Nil) to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Monday, 15 October 2018.

The proposed Final Dividend is subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**2018 AGM**”). It is expected that the Final Dividend would be paid to the Shareholders on Monday, 29 October 2018.

ANNUAL GENERAL MEETING

The 2018 AGM is scheduled to be held on Monday, 10 September 2018. A notice convening the 2018 AGM will be issued and sent to the Shareholders on 31 July 2018.

CLOSURE OF REGISTER OF MEMBERS

2018 AGM

The Register of Members will be closed from Wednesday, 5 September 2018 to Monday, 10 September 2018, 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 2018 AGM to be held on Monday, 10 September 2018, 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 not later than 4:30 p.m. on Tuesday, 4 September 2018.

Directors' Report

Proposed Final Dividend

Conditional on the passing of the resolution approving the Final Dividend by the Shareholders at the 2018 AGM, the Register of Members will be closed for determining the Shareholders' entitlement to the Final Dividend from Thursday, 11 October 2018 to Monday, 15 October 2018, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the Final Dividend, non-registered Shareholders must lodge all 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 Wednesday, 10 October 2018.

USE OF NET PROCEEDS FROM THE LISTING

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

In light of the difference between the actual and estimated amount of the Net Proceeds, the Group has adjusted the intended use of the Net Proceeds in the same manner and in the same proportion as shown in the prospectus of the Company dated 10 January 2018.

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

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

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



Directors' Report

DONATIONS

Charitable and other donations made by the Group during this Year amounted to HK\$1,436,000 (Year 2017: HK\$122,000).

SHARES ISSUED IN THE YEAR

Details of the Shares issued in this Year are set out in Note 20 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Details of the movements during this Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 51 of this report.

As at 31 March 2018, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$210.2 million (Year 2017: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 108 of this annual report.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2018 are set out in Note 23 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period from the Listing Date to 31 March 2018 (the "**Period**"), the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase, or sell such securities.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme adopted by the Company on 2 January 2018 (the "**Share Option Scheme**"). The terms of our Share Option Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

- (i) The participants include any Director (including executive Directors and INEDs) and full-time and/or part-time employees of any member of our Group (the "**Participants**").
- (ii) Our shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of our shares in issue on the date our Shares commenced trading on the Stock Exchange, which is in aggregate up to 40,000,000 Shares (the "**Scheme Mandate Limit**").
- (iii) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders' approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of our shares in issue as at the date of the aforesaid Shareholders' approval.

Directors' Report

- (iv) The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”).
- (v) An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date on which the letter containing the offer of the grant of option is delivered to that Participant. An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company. Such remittance payment shall not be refundable in any circumstances.
- (vi) No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, no option shall be granted on any day on which the Company's financial results are published and (a) during the period of 60 days immediately preceding the publication date of its annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of its quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.
- (vii) The subscription price shall not be less than the highest of (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of options; (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of options (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of our Shares first commences on the Stock Exchange, the offer price of our Shares for the global offering shall be deemed to be the closing price for any business day falling within the period before listing of our Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant of options.
- (viii) The life of the Share Option Scheme is effective for 10 years from 2 January 2018.

As at the date of this report, no option has been granted or agreed to be granted under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as set out under the subheading “Share Option Scheme”, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company or subsisting during this Year.

DIRECTORS

The Directors of the Company during this Year and up to the date of this report were:

Executive Directors

Mr. Ma Hing Man (*Chairman*) (Appointed on 29 May 2017)
Mr. Ma Hing Ming (*Chief Executive Officer*) (Appointed on 29 May 2017)
Ms. Ma Lan Chu (Appointed on 29 May 2017)
Mr. Ma Yum Chee (Appointed on 29 May 2017)
Ms. Ma Lan Heung (Appointed on 29 May 2017)

Independent Non-executive Directors (the "INEDs")

Mr. Lam Kwok Cheong ("**Mr. Lam**") (Appointed on 2 January 2018)
Mr. Wong Wai Keung Frederick ("**Mr. Wong**") (Appointed on 2 January 2018)
Mr. Yeung Chi Wai ("**Mr. Yeung**") (Appointed on 2 January 2018)

Article 83(3) of the articles of association of the Company (the "**Articles of Association**") provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Article 84 of the Articles of Association provides that (1) one-third of the Directors for the time being (or, if their number is a not multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement by rotation at least once every three years; (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee, Ms. Ma Lan Heung and Mr. Lam will retire at the 2018 AGM and all of them, being eligible, will offer themselves for re-election at the 2018 AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of the Directors and senior management of the Company as at the date of this annual report are set out on pages 12 to 16 of this annual report.

INDEPENDENCE OF THE INEDs

The Company has received, from each of the INEDs, a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.



Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company on 2 January 2018 for a term of three years commencing on the Listing Date.

Each of the INEDs has entered into a letter of appointment with the Company on 2 January 2018 for a term of two years commencing on the Listing Date.

Save as disclosed aforesaid, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the contracts described under the section headed "Related Party Transactions" below, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its holding company or subsidiaries or fellow subsidiaries was a party and in which a Director and his/her connected party had a material interest, whether directly or indirectly, subsisted at the end of this Year or at any time during this Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of this Year or at any time during this Year.

CONNECTED TRANSACTIONS

During this Year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during this Year are disclosed in Note 28 to the Consolidated Financial Statements. The related party transactions disclosed in Note 28 were not regarded as connected transactions or were exempt from reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Directors' Report

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 31 March 2018, 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 the Securities and Futures Ordinance (the "SFO")), which were required (a) to be 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, to be recorded in the register referred to therein; or (c) to be 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 our Company

Name of Director/ 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	300,000,000	73.42%
Mr. Ma Hing Ming	Interest in a controlled corporation, interest held jointly with other persons	300,000,000	73.42%
Ms. Ma Lan Chu	Interest in a controlled corporation, interest held jointly with other persons	300,000,000	73.42%
Mr. Ma Yum Chee	Interest in a controlled corporation, interest held jointly with other persons	300,000,000	73.42%
Ms. Ma Lan Heung	Interest in a controlled corporation, interest held jointly with other persons	300,000,000	73.42%

Directors' Report

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 our 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 pursuant to which each of them has agreed, inter alia, to consolidate their respective interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our 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 number of underlying Shares interested divided by the number of issued Shares as at 31 March 2018 (i.e. 408,626,000 Shares).

(ii) Interest in Associated Corporation

Name of Director	Name of associated corporation	Capacity/Nature of interest <i>(Note 1)</i>	Number of shares held (L) <i>(Note 2)</i>	Percentage of interest
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%

Directors' Report

Notes:

1. Wah Sun Holdings is the direct Shareholder of the Company and is an associated corporation 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 each in Wah Sun Holdings, representing 20% of the entire issued share capital of Wah Sun Holdings. Each of them is also a party to an acting in concert deed pursuant to which each of them has agreed, inter alia, to consolidate their respective interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our 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 31 March 2018, none of the Directors nor the chief executive of the Company had any interests and 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 (a) to be 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); (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be 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 31 March 2018, so far as is known to the Directors, the following persons or entities other than the Directors and chief executive of the Company, had interests or short positions in the shares and the underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in the Shares

Name of Shareholder	Capacity/Nature of interest	Numbers of Shares interested or held (L) (Note 1)	Approximate percentage of the Company's issued Shares*
Wah Sun Holdings (Notes 2 and 3)	Beneficial owner	300,000,000	73.42%
Ms. Chan Sim Kuen (Note 4)	Interest of a spouse	300,000,000	73.42%
Ms. Wu Yu Ling (Note 5)	Interest of a spouse	300,000,000	73.42%
Ms. Yung Ngan Sim (Note 6)	Interest of a spouse	300,000,000	73.42%

Directors' Report

Notes:

1. The letter "L" denotes the person's long position in such shares.
 2. Wah Sun Holdings is the direct Shareholder of the Company.
 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 an acting in concert deed pursuant to which each of them has agreed, inter alia, to consolidate their respective interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our 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 Shares interested divided by the number of issued Shares as at 31 March 2018 (i.e. 408,626,000 Shares).

Save as disclosed above, as at 31 March 2018, 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 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.

ARRANGEMENTS TO ACQUIRE SHARES

At no time during this Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the businesses of the Group was entered into or existed during this Year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for this Year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	12.1%
– five largest suppliers in aggregate	43.8%

Sales

– the largest customer	27.4%
– five largest customers in aggregate	78.1%

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest suppliers or customers.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to its Shareholders by reason of their holding of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 14 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules (i.e. at least 25% of the Company's issued Shares in public hands) during this Year and as at the date of this annual report.

COMPETING BUSINESS

None of the Directors or the controlling Shareholders or their respective associates (as defined under the Listing Rules) has interests in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, during this Year.



Directors' Report

EVENTS AFTER THE END OF THIS YEAR

No important event affecting the Group has occurred subsequent to 31 March 2018 and up to date of this annual report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision as defined in the Hong Kong Companies Ordinance for the benefit of the Directors is currently in force and was in force throughout this Year. The Company has maintained Directors' liabilities insurance which provides appropriate cover for the Directors.

Pursuant to the Articles of Association and the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code and the Own Code of Conduct throughout the Period. The Model Code also applies to other specified senior management of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had a total of 4,913 employees (31 March 2017: 3,291). For this Year, the Group incurred staff costs, including Directors' remuneration of approximately HK\$157.0 million (Year 2017: approximately HK\$108.6 million).

The Company has adopted a share option scheme on 2 January 2018 for the purpose of recognising and acknowledging the contribution of employees.

The remuneration policy of the senior employees of the Group was tabled and recommended by 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.

Details of the emoluments of the Directors and the five individuals with the highest emoluments for this Year are set out in Notes 8 and 31 to the Consolidated Financial Statements, respectively.

CORPORATE GOVERNANCE PRACTICES

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 30 to 40 of this annual report.



Directors' Report

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors were not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

TAXATION

Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's Shares.

AUDIT COMMITTEE

The Company has an audit committee ("**Audit Committee**") which 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 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the INEDs, namely Mr. Wong, Mr. Lam and Mr. Yeung. Mr. Wong is the chairman of the Audit Committee.

The Audit Committee and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the audited Consolidated Financial Statements. The Audit Committee has reviewed the audited Consolidated Financial Statements and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. The Audit Committee has recommended the same to the Board for approval.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the Independent Auditor.

There is no change of Independent Auditor for this Year and up to the date of this annual report.

By order of the Board

Wah Sun Handbags International Holdings Limited

Ma Hing Man

Chairman and Executive Director

Hong Kong, 27 June 2018



Corporate Governance Report

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

As the Company's issued ordinary Shares were initially listed on the Stock Exchange on the Listing Date, the CG Code was not applicable to the Company for the period from 1 April 2017 to 21 January 2018, being the date immediately before the Listing Date. The Company has adopted and complied with all applicable code provisions as set out in the CG Code during the Period.

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 on each of the Directors, all Directors have confirmed that they had complied with the Model Code during the Period.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Articles of Association. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this Report, the Board comprises the following eight Directors, of which the INEDs in aggregate represent more than one-third of the Board members:

Executive Directors

Mr. Ma Hing Man (*Chairman*)
Mr. Ma Hing Ming (*Chief Executive Officer*)
Ms. Ma Lan Chu
Mr. Ma Yum Chee
Ms. Ma Lan Heung

INEDs

Mr. Lam Kwok Cheong (“**Mr. Lam**”)
Mr. Wong Wai Keung Frederick (“**Mr. Wong**”)
Mr. Yeung Chi Wai (“**Mr. Yeung**”)

The biographies of each of the Directors are set out in the section headed “Biographies of Directors and Senior Management” of this annual report.

The family relationship among the executive Directors is as follows:

Name of Directors	Relationship with				
	Mr. Ma Hing Man	Mr. Ma Hing Ming	Ms. Ma Lan Chu	Mr. Ma Yum Chee	Ms. Ma Lan Heung
Mr. Ma Hing Man	—	Elder brother	Younger brother	Younger brother	Younger brother
Mr. Ma Hing Ming	Younger brother	—	Younger brother	Younger brother	Younger brother
Ms. Ma Lan Chu	Elder sister	Elder sister	—	Younger sister	Younger sister
Mr. Ma Yum Chee	Elder brother	Elder brother	Elder brother	—	Younger brother
Ms. Ma Lan Heung	Elder sister	Elder sister	Elder sister	Elder sister	—

Save as disclosed above, there was no financial, business, family or other material relationship among the Directors during the Period and up to the date of this report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, meeting the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

Corporate Governance Report

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules from the Listing Date to the date of this report.

From the Company's financial year commencing on 1 April 2018 ("**Year 2019**"), the chairman of the Board (the "**Chairman**"), being an executive Director will at least annually hold one meeting with the INEDs without the presence of other executive Directors.

Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company.

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies. During this Year, each of the Directors named under the paragraph headed "Composition" above attended a training session conducted by the Company's Hong Kong legal advisers on, amongst other things, the obligations, on-going corporate governance requirements and the duties of directors of a company listed on the Stock Exchange.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during this Year or the Period is summarised as follows:

Name of Directors	Type of trainings
Mr. Ma Hing Man	A and B
Mr. Ma Hing Ming	A and B
Ms. Ma Lan Chu	A and B
Mr. Ma Yum Chee	A and B
Ms. Ma Lan Heung	A and B
Mr. Lam	A and B
Mr. Wong	A and B
Mr. Yeung	A and B

A: attending training sessions/seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities



Corporate Governance Report

Meetings of the Board and Directors' Attendance Records

The Board did not hold any meeting during the Period. From Year 2019 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The joint company secretaries of the Company (the “**Joint Company Secretaries**”) are responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Board held a meeting on 27 June 2018 at which all the Directors attended and, amongst other matters, considered and approved the audited Consolidated Financial Statements.

During the Period, the Company did not hold any general meeting of the Shareholders.

Board Diversity Policy

During this Year, the Board adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period and up to the date of this report, Mr. Ma Hing Man acted as the Chairman and Mr. Ma Hing Ming acted as the chief executive officer of the Company (the “**CEO**”). The roles of the Chairman and the CEO have been separated and assumed by different individuals to ensure a balance of power and authority so that power is not concentrated in any member of the Board. The respective roles and responsibilities of the Chairman and the CEO are set out in writing.

BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.



Corporate Governance Report

Audit Committee

The Audit Committee was established on 2 January 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Lam, Mr. Wong and Mr. Yeung. Mr. Wong is the chairman of the Audit Committee.

During the Period, no meeting of the Audit Committee was held.

The Audit Committee held a meeting on 27 June 2018 and, amongst other matters, considered and approved (i) for presentation to the Board for consideration and approval the draft audited Consolidated Financial Statements and (ii) audit-related matters. Each of the INEDs attended the above meeting in the capacity of the chairman or a member of the Audit Committee.

Nomination Committee

The Nomination Committee was established on 2 January 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises all the INEDs, namely Mr. Lam, Mr. Wong and Mr. Yeung, and two executive Directors, namely Mr. Ma Hing Man and Mr. Ma Hing Ming. Mr. Yeung is the chairman of the Nomination Committee.

During the Period, no meeting of the Nomination Committee was held.

The Nomination Committee held a meeting on 27 June 2018 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM. Each of the Directors who are the chairman or members of the Nomination Committee attended the above meeting in the relevant capacity.

Remuneration Committee

The Remuneration Committee was established on 2 January 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises all the INEDs, namely Mr. Lam, Mr. Wong and Mr. Yeung, and two executive Directors, namely Mr. Ma Hing Man and Mr. Ma Hing Ming. Mr. Lam is the chairman of the Remuneration Committee.

During the Period, no meeting of the Remuneration Committee was held.

The Remuneration Committee held a meeting on 27 June 2018 and, amongst other matters, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management. Each of the Directors who are the chairman or members of the Remuneration Committee attended the above meeting in the relevant capacity.



Corporate Governance Report

Risk Management Committee

The Risk Management Committee was established on 2 January 2018 with written terms of reference, which are published on the respective websites of the Stock Exchange and the Company. The Risk Management Committee comprises all the INEDs, namely Mr. Lam, Mr. Wong and Mr. Yeung. Mr. Wong is the chairman of the Risk Management Committee. The primary function of the Risk Management Committee includes but is not limited to reviewing the Group's business operation, in particular overseas and export business, to monitor and control the Group's exposure to sanctions law risks and to formulate the Group's risk management strategies.

During the Period, no meeting of the Risk Management Committee was held.

The Risk Management Committee held a meeting on 27 June 2018 and, amongst other matters, considered certain risk management matters. Each of the INEDs attended the above meeting in the relevant capacity.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company on 2 January 2018 for a term of three years commencing on the Listing Date, which may be terminated in accordance with the provisions thereof or by not less than three months' notice in writing served by either party on the other.

Each of the INEDs has entered into a letter of appointment with the Company on 2 January 2018 for a term of two years commencing on the Listing Date.

None of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the agreement or letter of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Corporate Governance Report

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the AGM at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those of other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Company may from time to time by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

The Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at an AGM.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for this Year are set out in Note 31 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographies of Directors and Senior Management" in this annual report for this Year by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 500,000	3
500,001 to 1,000,000	1

Corporate Governance Report

INDEPENDENT AUDITOR'S REMUNERATION

PricewaterhouseCoopers ("PwC") was engaged as the Group's independent auditor for this Year. Apart from the provision of annual audit services, PwC provided the audit and non-audit services in connection with the Listing.

The remuneration paid/payable to PwC in respect of this Year is set out below:

Services	Fee paid/payable (in HK\$'000)
Audit services — Annual audit	1,480
Audit services — Listing	5,120
Non-audit services — Internal control advisory	750
Non-audit services — Tax advisory	821
Total	8,171

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, PwC has stated in the independent auditor's report its reporting responsibilities on the Consolidated Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

In preparation for the Listing, the Company engaged an independent internal control adviser (the "IC Adviser") to perform a review of the procedure, system and control (including accounting and management systems) of the Group. Based on its internal control review, the IC Adviser recommended certain internal control improvement measures to the Group and the Group has adopted them. The Directors were of the view that the internal control systems were adequate and sufficient in the circumstances.

The Board, through the Risk Management Committee and the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions for the Period. The Board considers that the Group's risk management and internal control systems are adequate and effective.

Corporate Governance Report

The Board expects that a review of the risk management and internal control systems will be performed annually.

As the Group does not have an internal audit department, the Group will engage an external consultant to conduct an internal control review on the internal control system of the Group as from Year 2019 on an annual basis. The review will cover certain business cycles and procedures undertaken by the Group and make recommendations for improving and strengthening the system.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company’s website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group’s affairs, so that only the executive Directors and the Joint Company Secretaries are authorised to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Li Yat Tin Dominic (“**Mr. Li**”) who is the financial controller of the Company and Ms. Ho Yin Kwan (“**Ms. Ho**”) as the Joint Company Secretaries with effect from 19 June 2017.

Ms. Ho was nominated by Thomas Lee and Partners Limited to act as a Joint Company Secretary. The primary person at the Company with whom Ms. Ho has been contacting in respect of company secretarial matters is Mr. Li, the other Joint Company Secretary and the financial controller of the Company.

Each of Mr. Li and Ms. Ho has taken no less than 15 hours of relevant professional training during this Year pursuant to Rule 3.29 of the Listing Rules.

Since their appointment, the Joint Company Secretaries have been reporting to Mr. Ma Hing Man, the Chairman and an executive Director and Mr. Ma Hing Ming, the CEO and an executive Director. All members of the Board have access to the advice and services of the Joint Company Secretaries. The appointment and removal of the Joint Company Secretaries has been/will be subject to the Board’s approval.



Corporate Governance Report

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the “**EGM**”) in accordance with the “Procedures for Shareholders to Convene an EGM” set out below.

Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the “**Eligible Shareholder(s)**”) shall at all times have the right, by written requisition to the Board or the Joint Company Secretaries for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned (the “**Requisitionist(s)**”) either by post to the headquarters and principal place of business of the Company in Hong Kong (presently at Room 9, 6/F., Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong) or by email to dominic@wahsun.com.hk for the attention of the Board or the Joint Company Secretaries.

The Requisition must state clearly the name(s) of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Joint Company Secretaries will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Joint Company Secretaries will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such EGM, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings, share transfer/registration and payment of dividend or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Corporate Governance Report

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Hong Kong (presently at Room 9, 6/F., Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong) or by email to dominic@wahsun.com.hk, for the attention of the Joint Company Secretaries.

Upon receipt of the enquiries, the Joint Company Secretaries will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders mainly through the Company's financial reports, AGMs and EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

Except for the conditional adoption of the amended and restated memorandum of association and Articles of Association (the "M&A") by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 2 January 2018, there was no change in the constitutional documents of the Company during this Year.

The amended and restated M&A is available on the respective websites of the Stock Exchange and the Company.

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF WAH SUN HANDBAGS INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Wah Sun Handbags International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 107, which comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment of trade receivables

Refer to notes 2.8, 2.11, 4(b) and 18 to the consolidated financial statements

As at 31 March 2018, the Group has trade receivables of HK\$125,001,000 (2017: HK\$98,108,000), representing 30% of the Group's total assets (2017: 34%).

For the year ended 31 March 2018, the Group has recognised impairment of trade receivables of approximately HK\$1,565,000. To determine whether there was objective evidence to impairment, management considers a wide range of factors such as the past collection history of each customer, the probability of insolvency or significant financial difficulties of the customers and default or significant delay in payments by customers.

We focused on this area due to the use of significant judgement and estimates by management on the evaluation of the recoverability of trade receivables.

Our procedures in relation to management's impairment assessment of trade receivables included:

- Understood, evaluated and validated management's key controls over credit control, debt collection and impairment assessment which were consistent with the Group's accounting policy;
- Tested ageing of the trade receivable balances as at year end on a sample basis to ensure the accuracy of the ageing analysis prepared by management;
- Obtained confirmations, on a sample basis, from debtors of the Group to confirm the gross trade receivable balances as at year end; and for unreturned confirmations, performed alternative procedures by comparing the trade receivable balances to the details stated in sales contracts, goods delivery notes, sales invoices and bank-in slips;
- Assessed the recoverability of the balances by comparing the outstanding amounts as at year end against subsequent settlement received from customers on a sample basis;

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"><li data-bbox="810 605 1417 806">• Obtained a list of all outstanding receivables, and assessed the recoverability of these outstanding receivables through discussion with management, considering the ageing of these receivables and performing independent search of customers' credit profile;<li data-bbox="810 849 1417 1224">• In respect of material trade receivables balances which were past due as at year end and were not subsequently settled, additional procedures were performed to evaluate the customers' historical payment records, identify any history of default, review correspondence of the Group with the customers with respect to the collection of the outstanding amounts and assess the probability that the customers would enter into bankruptcy and the available assets of the customers with reference to publicly available information.
	<p data-bbox="810 1267 1417 1394">Based on the procedures performed, we found the management's impairment assessment of trade receivables to be supported by the available supporting evidence.</p>



Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee of the Company (the "Audit Committee") is responsible for overseeing the Group's financial reporting process.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Shiu Hay, Antonio.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 June 2018

Consolidated Income Statement

	Notes	Year ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Revenue	6	697,492	677,214
Cost of sales	7	(545,228)	(537,597)
Gross profit		152,264	139,617
Other income	6	57	35
Other gains/(losses), net	6	2,920	(6,100)
Selling and distribution expenses	7	(33,145)	(28,792)
Administrative expenses	7	(63,954)	(40,236)
Operating profit		58,142	64,524
Finance income	9	122	476
Finance costs	9	(2,399)	(1,686)
Finance costs, net		(2,277)	(1,210)
Profit before income tax		55,865	63,314
Income tax expenses	10	(10,287)	(8,383)
Profit for the year attributable to owners of the Company		45,578	54,931
		HK cents	HK cents
Basic and diluted earnings per share for profit attributable to owners of the Company	12	14.2	18.3

The notes on pages 53 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

The notes on pages 53 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

		As at 31 March	
		2018	2017
		HK\$'000	HK\$'000
Notes			
ASSETS			
Non-current assets			
	Land use rights	350	394
	Property, plant and equipment	45,666	42,140
	Deposits paid for plant and equipment	1,213	—
		47,229	42,534
Current assets			
	Inventories	104,278	46,216
	Trade receivables	125,001	98,108
	Prepayments, deposits and other receivables	13,572	11,246
	Amount due from a director	—	10,643
	Amounts due from related parties	—	8,180
	Current income tax recoverable	1,127	379
	Pledged bank deposits	22,360	20,251
	Cash and cash equivalents	108,900	51,365
		375,238	246,388
	Total assets	422,467	288,922
EQUITY			
Equity attributable to owners of the Company			
	Share capital	4,086	—
	Share premium	109,611	—
	Exchange reserve	3,359	2,264
	Capital reserve	21,656	21,656
	Retained earnings	69,878	44,300
	Total equity	208,590	68,220

Consolidated Statement of Financial Position

		As at 31 March	
	Notes	2018 HK\$'000	2017 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	—	96
Deferred income tax liabilities	24	752	49
		752	145
Current liabilities			
Trade and bills payables	22	166,030	118,285
Accruals and other payables	22	24,268	11,800
Amounts due to directors	28	—	49,022
Amount due to a related party	28	—	1,527
Current income tax liabilities		2,675	4,387
Borrowings	23	20,152	35,536
		213,125	220,557
Total liabilities		213,877	220,702
Total equity and liabilities		422,467	288,922

The consolidated financial statements on page 47 to 107 were approved by the Board of Directors on 27 June 2018 and were signed on its behalf.

Mr. Ma Hing Man
Director

Mr. Ma Hing Ming
Director

The notes on pages 53 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital HK\$'000 (Note 20)	Share premium HK\$'000 (Note 20)	Exchange reserve HK\$'000	Capital reserve HK\$'000 (Note 21)	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2016	—	—	3,427	21,656	29,369	54,452
Comprehensive income						
Profit for the year	—	—	—	—	54,931	54,931
Other comprehensive loss						
Currency translation difference	—	—	(1,163)	—	—	(1,163)
Total comprehensive (loss)/income	—	—	(1,163)	—	54,931	53,768
Transactions with owners						
Dividends paid (Note 11)	—	—	—	—	(40,000)	(40,000)
As at 31 March 2017	—	—	2,264	21,656	44,300	68,220
As at 1 April 2017	—	—	2,264	21,656	44,300	68,220
Comprehensive income						
Profit for the year	—	—	—	—	45,578	45,578
Other comprehensive income						
Currency translation difference	—	—	1,095	—	—	1,095
Total comprehensive income	—	—	1,095	—	45,578	46,673
Transactions with owners						
Issue of shares by Capitalisation Issue (Note 20(d))	3,000	(3,000)	—	—	—	—
Issue of shares pursuant to public offering (Note 20(e) and (f))	1,086	127,093	—	—	—	128,179
Listing expenses related to the issue of new shares (Note 20(g))	—	(14,482)	—	—	—	(14,482)
Dividend paid (Note 11)	—	—	—	—	(20,000)	(20,000)
Total transactions with owners	4,086	109,611	—	—	(20,000)	93,697
As at 31 March 2018	4,086	109,611	3,359	21,656	69,878	208,590

The notes on pages 53 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	26	38,869	57,944
Income tax paid		(12,002)	(3,615)
Net cash generated from operating activities		26,867	54,329
Cash flows from investing activities			
Purchases of property, plant and equipment		(11,784)	(13,244)
Proceeds from disposal of property, plant and equipment	26	10	10
(Increase)/decrease in pledged bank deposits		(2,109)	5,717
Advances to directors		(57,075)	(64,322)
Advances from/(to) related parties		6,653	(1,776)
Interest received		122	476
Net cash used in investing activities		(64,183)	(73,139)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	27	128,179	—
Transaction costs attributable to issuance of ordinary shares		(14,482)	—
Proceeds from borrowings		—	39,109
Repayment of borrowings		(15,243)	(17,686)
Repayment of finance lease obligations		(237)	(247)
Advances from a director		18,866	12,718
Interest paid		(2,399)	(1,686)
Dividends paid		(20,000)	—
Net cash generated from financing activities		94,684	32,208
Net increase in cash and cash equivalents		57,368	13,398
Cash and cash equivalents at beginning of the year		51,365	37,848
Exchange gains on cash and cash equivalents		167	119
Cash and cash equivalents at end of the year		108,900	51,365

The notes on pages 53 to 107 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 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 Companies Law (Cap.22 Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Room 9, 6/F., Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.

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

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

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

1.2 Reorganisation

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

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

- (a) On 25 May 2017, Wah Sun Global Development Limited (“Wah Sun BVI”) was incorporated in the BVI with its ordinary share allotted and issued to Wah Sun Holdings.
- (b) On 29 May 2017, the Company was incorporated in the Cayman Islands with 1 share issued and allotted to Wah Sun Holdings, which is ultimately controlled by the Controlling Shareholders.
- (c) On 9 June 2017, Wah Sun BVI acquired the entire issued share capital of Union Gold Holdings Limited (“Union Gold”) from Ms. Wu Yu Ling (the spouse of and as instructed by Mr. Ma Hing Ming), Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Ms. Dong Yan (holding a trust for Mr. Ma Hing Man) at a consideration of US\$5. The consideration was satisfied by the allotment and issue of five new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganisation (Continued)

- (d) On 16 June 2017, Union Gold acquired the entire issued share capital of Dongguan Quickmind Handbag Factory Co., Ltd* (“Dongguan Quickmind”) at a consideration of HK\$13,860,000 from Mr. Ma Hiu Fai and Mr. Ma Wing Yin (both holding a trust for Wah Sun Hand-Bag Factory Co. Limited (“Wah Sun HK”)), its then shareholders. The consideration was satisfied by the allotment and issue of 10 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.
- (e) On 5 July 2017, Mr. Ma Yum Chee and Ms. Ma Lan Heung acquired 2 ordinary shares of Wah Sun HK from each of Mr. Ma Hiu Fai and Mr. Ma Wing Yin at nil consideration.
- (f) On 11 July 2017, Wah Sun BVI acquired the entire issued share capital of Wah Sun HK from the Controlling Shareholders at a consideration of US\$20. The consideration was satisfied by the allotment and issue of 20 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.
- (g) On 8 September 2017, Wah Sun BVI acquired the entire issued share capital of Wah Sun HK Factory (Cambodia) Co., Ltd. (“Wah Sun Cambodia”) from Mr. Ma Hing Ming, Ms. Ma Lan Chu and Ms. Dong Yan (all holding a trust for Wah Sun HK) at a consideration of US\$15. The consideration was satisfied by the allotment and issue of 15 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.
- (h) On 11 December 2017, the Company acquired the entire issued share capital of Wah Sun BVI at a consideration of US\$51 from Wah Sun Holdings. The consideration was satisfied by the allotment and issue of 9,999 new shares in the Company credited as fully paid to Wah Sun Holdings.

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

* For identification purpose only



Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

1.3 Basis of presentation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

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

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

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

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

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

		Effective for accounting periods beginning on or after	<i>Note</i>
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018	
HKAS 40 (Amendment)	Transfer of investment property	1 January 2018	
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018	
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	<i>Note (i)</i>
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019	
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
HKFRS 15	Revenue from contracts with customers	1 January 2018	<i>Note (ii)</i>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018	
HKFRS 16	Leases	1 January 2019	<i>Note (iii)</i>
HK (IFRIC) — Int 22	Foreign currency transactions and advance consideration	1 January 2018	
HK (IFRIC) — Int 23	Uncertainty over income tax treatments	1 January 2019	
Annual improvements project	2014 — 2016 projects	1 January 2018	

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

Note (i):

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

Note (ii):

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

Timing of revenue recognition

The Group’s revenue recognition policy is disclosed in Note 2.21. Currently, revenue arising from the sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

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

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
- (b) When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and
- (c) When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

Note (iii):

HKFRS 16 “Leases” The Group is a lessee of its office buildings and land which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.22.

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

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

As at 31 March 2018, the Group has aggregate minimum lease payments, which are not reflected in the consolidated statement of financial position, under non-cancellable operating lease of approximately HK\$12,816,000 as set out in Note 25(b). Out of this balance, HK\$9,384,000 relates to operating leases with original lease terms of over 1 year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations as described above upon the initial application of HKFRS 16.

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost included direct attributable costs of investment. The result of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors of the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within "Other gains/(losses), net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Land use rights commence amortisation from the time when the land interest becomes available for its intended use. Amortisation on land use rights and depreciation of property, plant and equipment are calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Land use rights	Over the remaining lease term of 28 years
Buildings	20 to 28 years
Plant, machinery and moulds	2 to 5 years
Motor vehicles	5 years
Furniture and fixtures	2 to 5 years

Construction in progress represents buildings, plant and machinery under construction and pending installation is stated at cost. Cost includes the costs of construction of building, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction in progress until the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses), net" in the consolidated income statement.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

(a) *Classification*

The Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "Trade receivables", "Deposits and other receivables", "Amount due from a director", "Amounts due from related parties", "Pledged bank deposits" and "Cash and cash equivalents" in the consolidated statement of financial position.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using effective interest method.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value.

Changes in the fair value of the derivative instruments are recognised immediately in the consolidated income statement within "Other gains/(losses), net".

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated cost necessary to make the sale.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.7(b) for further information about the Group's accounting for trade receivables and Note 2.8 for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

2.13 Pledged bank deposits

Pledged bank deposits represented fixed deposits pledged to the bank for issuance of bank facilities and bank borrowings.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade, bills and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred. Borrowing costs include interest expense and finance charges in respect of financial lease.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting dates.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) *Pension obligations*

The Group participates in defined contribution plans in the countries where they operate. A defined contribution plan is a pension plan under which the Group pays contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The scheme is generally funded through payments to insurance companies or state/trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Provision for bonus plans*

Bonus payments to employees are discretionary to management. Bonus payments are recognised in the consolidated income statement in the period when the Group has formally announced the bonus payments to employees.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of returns and discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sale of goods is recognised when products have been delivered to its customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 March 2018, if RMB had strengthened/weakened by 0.5% against HK\$ with all other variables held constant, pre-tax profit for the year ended 31 March 2018 would decrease/increase by HK\$186,000 (2017: decrease/increase by HK\$195,000), mainly as a result of foreign exchange losses/gains on translation of trade and bills payables which are denominated in RMB.

The Group had certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. During the year ended 31 March 2018, the Group recorded other comprehensive income of currency translation differences of HK\$1,095,000 (2017: other comprehensive loss of HK\$1,163,000). Foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are insignificant.

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to both cashflow and fair value interest rate risk as certain bank deposits and borrowings are carried at variable rates and certain bank deposits are carried at fixed rates, respectively.

As at 31 March 2018, if the interest rates on bank deposits and borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be HK\$444,000 higher/lower (2017: HK\$79,000), mainly as a result of higher/lower net interest income on floating rate bank deposits and borrowings.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash at bank, pledged bank deposits, trade receivables, deposits and other receivables and amounts due from a director and related parties. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group's cash at bank and pledged bank deposits were deposited with credit worthy financial institutions. Therefore, the directors do not expect any losses arising from non-performance by these counterparties.

The credit quality of the customers is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 March 2018, the Group had a concentration of credit risk given that the top 5 customers accounted for 84% (2017: 76%) of the Group's total year end trade receivable balance. Management limits the Group's exposure to credit risk by taking timely actions once there is any indication for recoverability problem of each individual debtor. The management also reviews the recoverable amount of each individual debtor at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

For amounts due from a director and related parties, the Group has assessed their abilities to repay the outstanding amounts and management expects no significant losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on the current rates at the end of the reporting period.

Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
As at 31 March 2018				
Trade and bills payables	166,030	—	—	166,030
Accruals and other payables	9,764	—	—	9,764
Borrowings	20,154	—	—	20,154
	195,948	—	—	195,948
As at 31 March 2017				
Trade and bills payables	118,285	—	—	118,285
Accruals and other payables	2,053	—	—	2,053
Amounts due to directors	49,022	—	—	49,022
Amount due to a related party	1,527	—	—	1,527
Borrowings	35,543	98	—	35,641
	206,430	98	—	206,528

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in the above table.

Taking into account the Group’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 1 year but less than 5 years HK\$'000	Total outflows HK\$'000
At 31 March 2018	13,954	6,606	—	20,560
At 31 March 2017	15,955	13,766	6,768	36,489

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" shown in the consolidated statement of financial position.

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Cash and bank balances excluding pledged bank deposits (Note 19)	108,900	51,365
Less: borrowings (Note 23)	(20,152)	(35,632)
Net cash	88,748	15,733
Total capital	208,590	68,220
Gearing ratio	N/A	N/A

As at 31 March 2018 and 2017, the Group was at net cash position, hence the gearing ratio was not applicable.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The carrying values of the Group's financial assets and financial liabilities are reasonable approximation of their fair values due to the relatively short term nature of these financial instruments.

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangement and similar agreements.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position
	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2017			
Amount due from a director	13,743	(3,100)	10,643
Amounts due from related parties	8,196	(16)	8,180
	21,939	(3,116)	18,823

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangement and similar agreements.

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position
	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2017			
Amount due from a director	52,122	(3,100)	49,022
Amounts due from related parties	1,543	(16)	1,527
	53,665	(3,116)	50,549

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

(b) Provision for impairment of trade and other receivables

The Group determines the provision for impairment of trade receivables based on the credit history of counterparty and the current market condition. Significant judgement is exercised in the assessment of the collectability of receivables. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed, payment trend including subsequent payments, and financial positions of the debtors. If the financial conditions of the counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(c) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(d) Income tax

The Group is subject to income tax in Hong Kong, Cambodia and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION

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

The amounts provided to the directors of the Company 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 revenue from customers in United States of America for the year ended 31 March 2018 are HK\$468,758,000 (2017: HK\$471,477,000), the revenue from customers in Spain are HK\$86,028,000 (2017: HK\$65,837,000), and the total revenue from customers in other countries are HK\$142,706,000 (2017: HK\$139,900,000). For the purpose of classification, the geographical source of revenue is determined based on the destination of the goods delivered to customers. Revenues from the individual countries included in other countries are not material.

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

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
PRC	9,118	10,990
Hong Kong	1,201	1,276
Cambodia	35,697	30,268
	46,016	42,534

Information about major customers

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

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

Notes to the Consolidated Financial Statements

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

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

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

Notes to the Consolidated Financial Statements

7 EXPENSES BY NATURE

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold	311,937	326,870
Tooling and cutting mould expenses	13,564	9,398
Packing expenses	6,314	3,181
Sub-contracting charges	60,582	101,547
Transportation and customs charges	27,609	23,262
Operating lease rental in respect of land and building	3,111	1,374
Employee benefit expense (<i>Note 8</i>)	157,029	108,591
Auditor's remuneration		
— Audit services	1,570	200
Travelling expenses	1,152	1,285
Entertainment expenses	966	991
Listing expenses	24,278	4,125
Amortisation on land use rights (<i>Note 13</i>)	44	44
Depreciation on property, plant and equipment (<i>Note 14</i>)	8,224	7,804
Legal and professional fees	540	438
Utilities	5,581	4,762
Repairs and maintenance	752	733
Provision for impairment of trade receivables (<i>Note 18</i>)	1,565	—
Donations	1,436	122
Other expenses	16,073	11,898
Total cost of sales, selling and distribution expenses and administrative expenses	642,327	606,625

Notes to the Consolidated Financial Statements

8 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	150,712	103,567
Pension costs — defined contribution plans	6,317	5,024
	157,029	108,591

(a) Five highest paid individuals

For the year ended 31 March 2018, the five individuals whose emoluments were the highest in the Group include 4 (2017: 5) directors, whose emoluments were reflected in Note 31. The emolument paid to the remaining 1 individual is as follows:

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	900	—
Pension costs — defined contribution plans	17	—
	917	—

The emoluments of the remaining individual fell within the following bands:

	Number of individuals Year ended 31 March	
	2018	2017
Nil — HK\$1,000,000	1	—

No incentive payments or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 March 2018 (2017: Nil).

Notes to the Consolidated Financial Statements

9 FINANCE COSTS, NET

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

10 INCOME TAX EXPENSES

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

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Current income tax:		
– Hong Kong profits tax	9,477	7,669
– Overseas taxation	5	691
Under-provision in prior years	102	–
	9,584	8,360
Deferred income tax (Note 24)	703	23
	10,287	8,383

Notes to the Consolidated Financial Statements

10 INCOME TAX EXPENSES (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2018 (2017: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to the Cambodia tax laws, Wah Sun HK Factory (Cambodia) Co., Ltd., one of the wholly owned subsidiaries of the Group, is entitled to preferential tax treatment with full exemption from Cambodia corporate income tax for four financial years starting from 1 January 2015. The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Profit before income tax	55,865	63,314
Tax calculated at domestic tax rates applicable to profits in the respective countries:	9,894	11,302
Tax effects of:		
Tax holiday on assessable profits of subsidiary incorporated in Cambodia	(3,982)	(3,709)
Income not subject to tax	(20)	(79)
Expenses not deductible for tax purposes	4,272	689
Under-provision in prior years	102	—
Others	21	180
Income tax expenses	10,287	8,383

For the year ended 31 March 2018, the weighted average applicable tax rate was 18% (2017: 18%).

Notes to the Consolidated Financial Statements

11 DIVIDENDS

The Board has recommended the payment of a final dividend of HK1.0 cent per share (2017: Nil), amounting to an aggregate of approximately HK\$4,086,000 for the year ended 31 March 2018. The proposed final dividend for the year is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

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

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

The dividends related to the year ended 31 March 2017 of HK\$40,000,000 were settled through current accounts with directors, who were also the then shareholders of the Company's subsidiaries.

Notes to the Consolidated Financial Statements

12 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issuance of shares in connection with the Reorganisation completed on 11 December 2017 and the shares issued pursuant to the Capitalisation Issue (as defined in Note 20(d)) were deemed to have been in issue since 1 April 2016.

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

(b) Diluted

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

13 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Beginning of the year	394	438
Amortisation	(44)	(44)
End of the year	350	394

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant, machinery and moulds HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 April 2016						
Cost	23,335	31,631	7,298	4,459	2,921	69,644
Accumulated depreciation	(8,857)	(16,494)	(4,333)	(2,466)	—	(32,150)
Net book amount	14,478	15,137	2,965	1,993	2,921	37,494
Year ended 31 March 2017						
Opening net book amount	14,478	15,137	2,965	1,993	2,921	37,494
Additions	—	3,652	496	844	8,808	13,800
Transfer	10,419	—	—	—	(10,419)	—
Disposals	—	(1,017)	(60)	—	—	(1,077)
Depreciation charge	(1,189)	(4,769)	(1,015)	(890)	—	(7,863)
Currency translation differences	(37)	(109)	(67)	(1)	—	(214)
Closing net book amount	23,671	12,894	2,319	1,946	1,310	42,140
At 31 March 2017						
Cost	33,630	24,393	7,142	5,293	1,310	71,768
Accumulated depreciation	(9,959)	(11,499)	(4,823)	(3,347)	—	(29,628)
Net book amount	23,671	12,894	2,319	1,946	1,310	42,140

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK\$'000	Plant, machinery and moulds HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Year ended 31 March 2018						
Opening net book amount	23,671	12,894	2,319	1,946	1,310	42,140
Additions	—	2,757	—	2,656	6,371	11,784
Transfer	4,011	—	—	313	(4,324)	—
Disposals	—	—	(42)	—	—	(42)
Depreciation charge	(1,579)	(4,872)	(754)	(1,139)	—	(8,344)
Currency translation differences	35	18	59	16	—	128
Closing net book amount	26,138	10,797	1,582	3,792	3,357	45,666
At 31 March 2018						
Cost	37,778	27,181	6,418	8,291	3,357	83,025
Accumulated depreciation	(11,640)	(16,384)	(4,836)	(4,499)	—	(37,359)
Net book amount	26,138	10,797	1,582	3,792	3,357	45,666

Depreciation of HK\$1,961,000 (2017: HK\$1,905,000) have been charged to “administrative expenses” and HK\$6,263,000 (2017: HK\$5,899,000) have been charged to “cost of sales” for the year ended 31 March 2018. In addition, depreciation of HK\$120,000 (2017: HK\$59,000) has been capitalised as inventories as at 31 March 2018.

Motor vehicles include the following amounts where the Group is a lessee under finance leases.

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Cost	735	735
Accumulated depreciation	(355)	(207)
Net book amount	380	528

The Group leases motor vehicles under non-cancellable finance lease agreement. The lease term is two years.

Notes to the Consolidated Financial Statements

15 SUBSIDIARIES

Particulars of the principal subsidiaries at 31 March 2018 were as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and paid-up capital	Ownership interest held by the Company	
				Direct	Indirect
Wah Sun Global Development Limited	BVI, limited liability company	Investment holding in BVI	US\$1	100%	—
Wah Sun Hand-Bag Factory Co. Limited	Hong Kong, limited liability company	Trading of hand-bag products in Hong Kong	HK\$10,000	—	100%
Union Gold Holdings Limited	Hong Kong, limited liability company	Trading of hand-bag products in Hong Kong	HK\$100	—	100%
Dongguan Quickmind Handbag Factory Co., Ltd*	PRC, limited liability company	Manufacturing of hand-bag products in the PRC	HK\$13,860,000	—	100%
Wah Sun HK Factory (Cambodia) Co., Ltd	Kingdom of Cambodia ("Cambodia"), limited liability company	Manufacturing of hand-bag products in Cambodia	US\$1,000,000	—	100%

* For identification purpose only

Notes to the Consolidated Financial Statements

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Assets as per consolidated statement of financial position		
Loans and receivables:		
– Trade receivables	125,001	98,108
– Deposits and other receivables	1,275	1,245
– Amount due from a director	—	10,643
– Amount due from related parties	—	8,180
– Pledged bank deposits	22,360	20,251
– Cash and cash equivalents	108,900	51,365
Total	257,536	189,792
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost:		
– Trade and bills payables	166,030	118,285
– Accruals and other payables	9,764	2,053
– Amounts due to directors	—	49,022
– Amount due to a related party	—	1,527
– Borrowings	20,152	35,632
Total	195,946	206,519

17 INVENTORIES

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

The cost of inventories recognised as expense and included in “cost of sales” in the consolidated income statement amounted to HK\$311,937,000 for the year ended 31 March 2018 (2017: HK\$326,870,000).

Notes to the Consolidated Financial Statements

18 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
US\$	126,036	99,113
HK\$	237	236
RMB	3	4
	126,276	99,353

Notes to the Consolidated Financial Statements

18 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 2018, the ageing analysis of the gross trade receivables based on the invoice date is as follows:

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

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

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

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

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

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

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
At beginning of the year	—	—
Provision for impairment	1,565	—
At the end of the year	1,565	—

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

Notes to the Consolidated Financial Statements

19 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Cash at bank	108,677	49,422
Cash on hand	223	1,943
Cash and cash equivalents	108,900	51,365
Pledged bank deposits	22,360	20,251
Cash and bank balances	131,260	71,616
Maximum exposure to credit risk	131,037	69,673

As at 31 March 2018, pledged bank deposits of HK\$22,360,000 (2017: HK\$20,251,000) were held at bank securing bank facilities and bank borrowings. Pledged bank deposits are deposited with a creditworthy bank with no recent history of default.

As at 31 March 2017, pledged bank deposits are denominated in US\$. As at 31 March 2018, the pledged bank deposits are denominated in both US\$ and HK\$.

The weighted average effective interest rates on pledged bank deposits, with maturity ranging from one month to six months, was 0.61% (2017: 1.47%) per annum for the year ended 31 March 2018.

Cash and cash equivalents and pledged bank deposits approximate their fair value and are denominated in the following currencies:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
HK\$	73,447	7,588
US\$	57,583	60,883
RMB	230	3,145
	131,260	71,616

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

Notes to the Consolidated Financial Statements

20 SHARE CAPITAL AND SHARE PREMIUM

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

Authorised ordinary shares:

	Number of Share	Nominal value of ordinary shares HK\$'000
At 29 May 2017 (date of incorporation)	38,000,000	380
Increase in authorised shares <i>(Note (c))</i>	4,962,000,000	49,620
At 31 March 2018	5,000,000,000	50,000

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000
At 29 May 2017 (date of incorporation) <i>(Note (a))</i>	1	—	—
Shares issued pursuant to the Reorganisation <i>(Note (b))</i>	9,999	—	—
Shares issued pursuant to the Capitalisation Issue <i>(Note (d))</i>	299,990,000	3,000	(3,000)
Shares issued pursuant to the share offer in Listing <i>(Note (e))</i>	100,000,000	1,000	117,000
Shares issued pursuant to exercise of over- allotment option <i>(Note (f))</i>	8,626,000	86	10,093
Listing expenses related to the issue of new shares <i>(Note (g))</i>	—	—	(14,482)
At 31 March 2018	408,626,000	4,086	109,611

Notes:

- (a) On 29 May 2017 (date of incorporation), 1 share of HK\$0.01 was allotted and issued.
- (b) On 11 December 2017, 9,999 shares of HK\$0.01 were allocated and issued pursuant to the Reorganisation (Note 1.2(h)).
- (c) On 2 January 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 shares of HK\$0.01 each.

Notes to the Consolidated Financial Statements

20 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Notes: (Continued)

- (d) Pursuant to a sole shareholder's resolution dated 2 January 2018, the Company issued additional 299,990,000 shares (the "Capitalisation Issue"), credited as fully paid, to Wah Sun Holdings, by way of capitalisation of HK\$2,999,990 crediting to the Company's share premium account.
- (e) On 22 January 2018, in connection with the Listing, the Company issued 100,000,000 shares at a price of HK\$1.18 per share for a total of HK\$118,000,000.
- (f) On 14 February 2018, by exercise of over-allotment option, the Company issued 8,626,000 shares at a price of HK\$1.18 per share for a total of HK\$10,179,000.
- (g) The issuance costs in connection with the Listing and exercise of over-allotment option amounted to HK\$14,482,000 were charged to the Company's share premium account.

21 CAPITAL RESERVE

Capital reserve of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

22 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

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

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

Notes to the Consolidated Financial Statements

22 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

Notes:

(a) Trade and bills payables

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

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

The trade and bills payables are denominated in the following currencies:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
HK\$	47,152	40,391
US\$	72,442	38,911
RMB	46,436	38,983
	166,030	118,285

(b) Accruals and other payables

The accruals and other payables are denominated in the following currencies:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
HK\$	7,292	2,630
US\$	13,528	6,898
RMB	3,448	2,272
	24,268	11,800

Notes to the Consolidated Financial Statements

23 BORROWINGS

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Non-current		
Finance lease liabilities (Note b)	—	96
Current		
Bank borrowings (Note a)	20,056	35,299
Finance lease liabilities (Note b)	96	237
	20,152	35,536
Total borrowings	20,152	35,632

Notes:

(a) Bank borrowings

Borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities.

Bank borrowings due for repayment, based on the scheduled repayment terms set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Within 1 year	13,522	15,187
Between 1 and 2 years	6,534	13,402
Between 2 and 5 years	—	6,710
	20,056	35,299

The weighted average interest rates during the year ended 31 March 2018 were as follows:

	As at 31 March	
	2018	2017
Short-term bank loans	3.73%	2.29%

At 31 March 2018 and 2017, the borrowings are denominated in the following currencies:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
HK\$	14,622	35,299
US\$	5,434	—
	20,056	35,299

Notes to the Consolidated Financial Statements

23 BORROWINGS (CONTINUED)

Notes: (Continued)

(a) Bank borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and contractual repayment dates are as follows:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Within 1 year	13,522	13,045
Between 1 and 2 years	6,534	13,402
Between 2 and 5 years	—	6,710
	20,056	33,157

As at 31 March 2018, the carrying amounts of the borrowings approximate their fair values.

As at 31 March 2018, the Group had aggregate banking facilities of HK\$131,933,000 (2017: HK\$124,970,000) for trade finance, overdrafts and loans. Unutilised facilities as at the same date amounted to HK\$15,797,000 (2017: HK\$47,622,000).

As at 31 March 2017, the Group's banking facilities were secured and/or guaranteed by:

- (i) unlimited personal guarantees from Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee;
- (ii) certain properties owned by Mr. Ma Hing Ming, Ms. Wu Yu Ling, Ms. Ma Lan Chu, Mr. Ma Hing Man, Ms. Ma Lan Heung, Ms. Yung Ngan Sim and Ms. Chan Sim Kuen; and
- (iii) pledged bank deposits of HK\$20,251,000 pledged against revolving loans provided by the bank.

The personal guarantees and pledge of properties were released during the year ended 31 March 2018.

As at 31 March 2018, the Group's banking facilities and bank borrowings are secured by pledged bank deposits of HK\$22,360,000.

(b) Finance lease liabilities

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	98	244
Later than 1 year and no later than 5 years	—	98
	98	342
Future finance charges on finance leases	(2)	(9)
Present value of finance lease liabilities	96	333
The present value of finance lease liabilities is as follows:		
No later than 1 year	96	237
Later than 1 year and no later than 5 years	—	96
	96	333

Notes to the Consolidated Financial Statements

24 DEFERRED INCOME TAX LIABILITIES

Deferred tax has been calculated on temporary differences under the liability method using the applicable tax rates which are expected to apply at the time of reversal of the temporary differences.

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Deferred income tax liabilities	752	49

The movements in deferred income tax liabilities during the years are as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2016	26
Charged to the consolidated income statement (<i>Note 10</i>)	23
At 31 March 2017	49
At 1 April 2017	49
Charged to the consolidated income statement (<i>Note 10</i>)	703
At 31 March 2018	752

As at 31 March 2018, no deferred tax liabilities have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's foreign-invested enterprises as the Company controls the dividend policy of these foreign-invested enterprises and it is probable that such differences will not be reversed in the foreseeable future (2017: Nil).

Deferred income tax liabilities of HK\$6,910,000 (2017: HK\$3,505,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries on 31 March 2018 as such amounts are expected to be permanently reinvested.

Notes to the Consolidated Financial Statements

25 COMMITMENTS

(a) Capital commitments

As at 31 March 2018, capital expenditure contracted for but not yet incurred are as follows:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Property, plant and equipment	6,170	2,116

(b) Operating lease commitments as lessee

The Group leases offices and land which are non-cancellable with lease terms between 3 and 5 years. The lease expenses charged to the consolidated income statement are disclosed in Note 7.

The future aggregate minimum lease rental expenses in respect of offices and land under non-cancellable operating leases are as follows:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
No later than 1 year	3,432	2,635
Later than 1 year and no later than 5 years	9,384	11,904
	12,816	14,539

Notes to the Consolidated Financial Statements

26 NET CASH GENERATED FROM OPERATIONS

	Notes	Year ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Profit before income tax		55,865	63,314
Adjustments for:			
Amortisation on land use right	7	44	44
Depreciation of property, plant and equipment	7	8,224	7,804
Net losses on disposal of property, plant and equipment	6	32	1,067
Provision for impairment of trade receivables	7	1,565	—
Finance income	9	(122)	(476)
Finance costs	9	2,399	1,686
		68,007	73,439
Changes in working capital:			
Inventories		(56,571)	(11,070)
Trade receivables		(28,458)	(36,832)
Prepayments, deposits and other receivables		(3,293)	1,487
Trade and bills payables		46,971	25,077
Accruals and other payables		12,213	5,843
Net cash generated from operations		38,869	57,944

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Net book value (Note 14)	42	1,077
Net losses on disposal of property, plant and equipment	(32)	(1,067)
Proceeds from disposal of property, plant and equipment	10	10

Major non-cash transactions

For the year ended 31 March 2017, the principal non-cash transactions include settlement of dividends and transfer of certain derivative financial instruments to a related company as disclosed in Note 11 and Note 28(b) respectively.

Notes to the Consolidated Financial Statements

27 CASH FLOW INFORMATION — FINANCING ACTIVITIES

This section sets out the reconciliation of liabilities arising from financing activities for the year ended 31 March 2018.

	Amount due (from)/to directors HK\$'000	Dividend payable HK\$'000	Finance lease liabilities HK\$'000	Interest payable HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 April 2016	29,283	—	329	—	13,876	43,488
Non cash — purchase of a motor vehicle — finance lease	—	—	251	—	—	251
Non cash — derivative financial instrument	19,891	—	—	—	—	19,891
Non cash — dividend declared	40,000	—	—	—	—	40,000
Non cash — interest cost	—	—	—	1,686	—	1,686
Cash flow — investing activities	(64,322)	—	—	—	—	(64,322)
Cash flow — financing activities	12,718	—	(247)	(1,686)	21,423	32,208
Foreign exchange adjustment	809	—	—	—	—	809
At 31 March 2017	38,379	—	333	—	35,299	74,011
At 1 April 2017	38,379	—	333	—	35,299	74,011
Non cash — dividend declared	—	20,000	—	—	—	20,000
Non cash — interest cost	—	—	—	2,399	—	2,399
Cash flow — investing activities	(57,075)	—	—	—	—	(57,075)
Cash flow — financing activities	18,866	(20,000)	(237)	(2,399)	(15,243)	(19,013)
Foreign exchange adjustment	(170)	—	—	—	—	(170)
At 31 March 2018	—	—	96	—	20,056	20,152

Notes to the Consolidated Financial Statements

28 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 of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year:

Name of the related parties	Relationship with the Group
Mr. Ma Hing Man	Director and ultimate controlling shareholder of the Company
Mr. Ma Hing Ming	Director and ultimate controlling shareholder of the Company
Ms. Ma Lan Chu	Director and ultimate controlling shareholder of the Company
Mr. Ma Yum Chee	Director and ultimate controlling shareholder of the Company
Ms. Ma Lan Heung	Director and ultimate controlling shareholder of the Company
Mr. Ma Wing Yin	Director of a subsidiary
Mr. Ma Hiu Fai	Director of a subsidiary
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
World Global Enterprise Limited	Controlled by Mr. Ma Wing Yin

- (b) The following transactions were carried out with related parties:

Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 March 2018, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Continuing transactions:		
Rental expenses paid or payable to related parties		
– Ms. Dong Yan	2,635	930
– Ms. Ma Lan Chu and Ms. Yung Ngan Sim	288	276
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	168	144
Total	3,091	1,350

Non-continuing transaction:

During the year ended 31 March 2017, the Group transferred certain derivative financial instruments to World Global Enterprise Limited, a related company, at their fair value as of that date with a consideration of HK\$23,450,000 which was settled through the current account of Ms. Ma Lan Chu, giving rise to no gain or loss on disposal. In the opinion of the directors of the Company, the above related party transaction was conducted on basis mutually agreed by both parties.

Notes to the Consolidated Financial Statements

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

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:

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Salaries, bonus and other allowances	8,039	5,651
Retirement benefit costs		
— Mandatory Provident Fund Scheme	150	90
	8,189	5,741

(d) Amounts due from/(to) directors and related parties

The Group has the following balances with directors and related parties:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Non-trade receivables from		
Director		
— Mr. Ma Hing Man	—	10,643
Related parties		
— Mr. Ma Wing Yin	—	4,090
— Mr. Ma Hiu Fai	—	4,090
	—	8,180
Non-trade payables to		
Directors		
— Mr. Ma Hing Ming	—	8,088
— Ms. Ma Lan Chu	—	19,983
— Mr. Ma Yum Chee	—	10,136
— Ms. Ma Lan Heung	—	10,815
	—	49,022
Related party		
— Ms. Dong Yan	—	1,527

Notes to the Consolidated Financial Statements

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due from/(to) directors and related parties (Continued)

The receivables and payables from/(to) the above directors and related parties were unsecured, interest-free and repayable on demand and approximate their fair values.

The balances with directors and related parties were denominated in the following currencies:

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Non-trade receivables from a director and related parties		
HK\$	—	10,643
RMB	—	8,180
	—	18,823
Non-trade payables to directors and a related party		
HK\$	—	42,066
US\$	—	8,483
	—	50,549

(e) Other arrangements with related parties

Banking facilities available to the Group were guaranteed by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee as at 31 March 2017. All such guarantees were released during the year ended 31 March 2018.

29 CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2017 and 2018.

Notes to the Consolidated Financial Statements

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

<i>Notes</i>	2018 HK\$'000
ASSETS	
Non-current assets	
Investment in subsidiaries	95,531
Current assets	
Prepayment	251
Amount due from subsidiaries	48,218
Cash and cash equivalents	70,332
	118,801
Total assets	214,332
EQUITY	
Equity attributable to the owners of the Company	
Share capital	4,086
Share premium	(a) 109,611
Capital reserve	(b) 95,531
Retained earnings	5,054
Total equity	214,282
Current liabilities	
Accruals and other payables	50
Total liabilities	50
Total equity and liabilities	214,332

The statement of financial position of the Company was approved by the Board of Directors on 27 June 2018 and was signed on its behalf.

Mr. Ma Hing Man
Director

Mr. Ma Hing Ming
Director

Notes to the Consolidated Financial Statements

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Share premium movement of the Company

	Share premium HK\$'000
As at 29 May 2017 (date of incorporation)	—
Share issued pursuant to the Capitalisation Issue <i>(Note 20(d))</i>	(3,000)
Share issued pursuant to the shares offer in Listing <i>(Note 20(e))</i>	117,000
Share issued pursuant to exercise of over-allotment option <i>(Note 20(f))</i>	10,093
Listing expenses related to the issue of new shares <i>(Note 20(g))</i>	(14,482)
As at 31 March 2018	109,611

(b) Capital reserve

Capital reserve of the Company represented the difference between the net assets value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

Notes to the Consolidated Financial Statements

31 BENEFIT AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors is set out below:

For the year ended 31 March 2018:

Name of directors	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking			
	Fees HK\$'000	Salaries HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Ma Hing Man	—	2,041	18	2,059
Mr. Ma Hing Ming <i>(Note i)</i>	—	1,690	18	1,708
Ms. Ma Lan Chu	—	1,105	18	1,123
Mr. Ma Yum Chee	—	624	18	642
Ms. Ma Lan Heung	—	572	18	590
	—	6,032	90	6,122
Independent non-executive directors <i>(Note ii)</i>				
Mr. Lam Kwok Cheong	39	—	—	39
Mr. Wong Wai Keung Frederick	39	—	—	39
Mr. Yeung Chi Wai	39	—	—	39
	117	—	—	117

Notes:

- (i) Mr. Ma Hing Ming is also the chief executive officer of the Company.
- (ii) Mr. Lam Kwok Cheong, Mr. Wong Wai Keung Frederick and Mr. Yeung Chi Wai were appointed as the independent non-executive directors of the Company on 2 January 2018.

Notes to the Consolidated Financial Statements

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended 31 March 2017:

Name of directors	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking			
	Fees HK\$'000	Salaries HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Ma Hing Man	—	1,713	18	1,731
Mr. Ma Hing Ming	—	1,632	18	1,650
Ms. Ma Lan Chu	—	1,092	18	1,110
Mr. Ma Yum Chee	—	626	18	644
Ms. Ma Lan Heung	—	588	18	606
	—	5,651	90	5,741

Note:

The remuneration shown above represented remuneration received by the directors in their capacity as employees of the Operating Companies during the year ended 31 March 2017.

No directors waived any emolument during the year ended 31 March 2018 (2017: Nil).

No emoluments were paid by the Group to the directors as an inducement to join the Group, or as compensation for loss of office during the year ended 31 March 2018 (2017: Nil).

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 March 2018 (2017: Nil).

(c) Consideration provided to third parties for making available directors' services

No consideration was made to the directors for making available the services of them as a director of the Company during the year ended 31 March 2018 (2017: Nil).



Notes to the Consolidated Financial Statements

31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 March 2018 (2017: Nil).

(e) Directors' material interest in transactions, arrangements or contracts

Save as elsewhere disclosed in the notes to the consolidated financial statements, there is no significant transactions, arrangements and contracts in relation to the Group's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year ended 31 March 2018 (2017: Nil).

Four-Year Financial Summary

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows.

RESULTS

	2018 HK\$'000	Year ended 31 March		
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	697,492	677,214	585,940	546,043
Profit before tax	55,865	63,314	51,745	11,632
Income tax expense	(10,287)	(8,383)	(3,612)	(4,388)
Profit for the year	45,578	54,931	48,133	7,244

ASSETS AND LIABILITIES

	2018 HK\$'000	As at 31 March		
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Assets				
Non-current assets	47,229	42,534	38,237	38,615
Current assets	375,238	246,388	182,087	166,382
Total assets	422,467	288,922	220,324	204,997
Equity and liabilities				
Total equity	208,590	68,220	54,452	23,580
Non-current liabilities	752	145	138	73
Current liabilities	213,125	220,557	165,734	181,344
Total liabilities	213,877	220,702	165,872	181,417
Total equity and liabilities	422,467	288,922	220,324	204,997

Note:

The summary of the consolidated results of the Group for each of the three years ended 31 March 2015, 2016 and 2017 and of the assets, equity and liabilities as at 31 March 2015, 2016 and 2017 have been extracted from the prospectus of the Company dated 10 January 2018. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is prepared on the basis as set out in note 1.3 to the audited consolidated financial statements.

The financial information for the year ended 31 March 2014 was not disclosed as consolidated financial statements for the Group have not been prepared for that year. The summary above does not form part of the audited consolidated financial statements.