



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 / 19
INTERIM 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. Wong Wai Keung Frederick
Mr. Yeung Chi Wai
Mr. Ma Hing Man
Mr. Ma Hing Ming

Nomination Committee

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

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

COMPANY SECRETARY

Mr. Yeung Lee Fai
(appointed on 1 August 2018)
Mr. Li Yat Tin Dominic
(resigned on 1 August 2018)
Ms. Ho Yin Kwan
(resigned on 1 August 2018)

AUTHORISED REPRESENTATIVES

Mr. Ma Hing Ming
Mr. Yeung Lee Fai
(appointed on 1 August 2018)
Mr. Li Yat Tin Dominic
(resigned on 1 August 2018)

COMPLIANCE ADVISER

DBS Asia Capital Limited
73rd 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/ BOARD LOT

2683/ 2,000 shares

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Wah Sun Handbags International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is the non-leather handbag original equipment manufacturer (the “**OEM**”). The Group principally manufactures and trades handbag products.

The Group’s revenue increased by approximately HK\$5.2 million or 1.5% to approximately HK\$359.5 million for the six months ended 30 September 2018 (“**1H2018**”) from approximately HK\$354.3 million for the six months ended 30 September 2017 (“**1H2017**”) mainly due to an increase in demand from our customers as a result of (i) an increase in business needs for certain fast fashion brands; (ii) the benefit of duty-free and quota-free export of all goods (except arms and ammunition) to the United States of America (“**USA**”) and member states of the European Union from Kingdom of Cambodia (“**Cambodia**”); and (iii) the ramp up of production capacity following the completion of the first phase of our expansion plan.

The Group’s sales were still predominantly made to North America, accounting for 67% of total revenue for 1H2018 (1H2017: approximately 73%). The share of revenues from European customers has increased by 7% to 24% for 1H2018 when compared with 1H2017.

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. Working with these well-known brand customers is a testament to the Group’s competitive product offerings, short lead times, competitive pricing, efficient operations, reliable delivery times, and high social environmental compliance.

During 1H2018, some of our customers with relatively high gross profit margin but with unsatisfactory credit histories have been sifted out followed by our credit risk assessment, thus affecting our gross profit margin and financial performance temporarily. Nevertheless, the outlook of the Group in the foreseeable future appears to be positive with continuous improvement in the financial performance of the Group.

Looking ahead, there is a general expectation that the global economy will have more sustained growth.

However, international relations and geopolitical situation have added uncertainties to the global economic landscape. Given the challenges in the global economic outlook, the Group will continue to diversify its customer base and capture greater market share in different markets, such as those of Europe and Asia. At the same time, the credit quality of the customers will also be critically and continuously assessed based on their financial position, past payment history and subsequent settlement status to ensure that sales of products will only be made to those customers with appropriate credit histories.

We are confident that the Group has the ability to handle these challenges and to grow organically to become the leading non-leather handbag OEM with full vertical value propositions to its customers from the factory to the consumer whilst maximising the return for the shareholders of the Company (the “**Shareholders**”).

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

Revenue generated by sales of products manufactured in Cambodia and Dongguan, the People's Republic of China (the "PRC" or "China", for the purpose of this interim report only, excluding The Hong Kong Special Administrative Region, The Macau Special Administrative Region and Taiwan) (including products manufactured by our sub-contractors at their own manufacturing facilities in the PRC) were set out below:

	Six months ended 30 September			
	2018 HK\$'000 (Unaudited)	%	2017 HK\$'000 (Unaudited)	%
Cambodia	261,001	73	235,236	66
Dongguan, the PRC	98,531	27	119,063	34
	359,532	100	354,299	100

The Group's revenue increased to approximately HK\$359.5 million for 1H2018 from approximately HK\$354.3 million for 1H2017, representing an increase of approximately 1.5%.

Although the Group recorded a decrease of revenue from customers in the North America by approximately HK\$17 million during 1H2018, it was able to make a significant growth in sales from the European customers by approximately HK\$26 million when compared with 1H2017. This was mostly due to the outperformance of the European market, driven by Cambodia's favorable trade arrangements, especially from the European fast fashion brands.

The Group's strategy is to diversify its customer base by continuing to grow its business with new customers and capturing greater market share in different markets. To improve the overall quality of our customer base, those customers with unsatisfactory credit histories will be sifted out although the gross profit margin generated from those customers are generally higher than other customers.

The Group's sales to its top five customers accounted for approximately 79% of the total revenue for 1H2018, with the Group's sales to its largest customer, accounting for approximately 25% of the total revenue for 1H2018.

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

Management Discussion and Analysis

Revenue (Continued)

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

	Six months ended 30 September	
	2018 (Unaudited)	2017 (Unaudited)
Revenue (HK\$'000)	359,532	354,299
Quantities sold (Unit'000)	6,540	6,872
Average selling price (HK\$/Unit)	55.0	51.6

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

Cost of sales

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

The cost of sales increased to approximately HK\$301.9 million for 1H2018 from approximately HK\$281.4 million for 1H2017, representing an increase of approximately 7.3%.

The increase of the Group's cost of sales was higher than its sales growth during 1H2018. It was mainly due to (i) the sifting out of those customers with higher profit margin but with unsatisfactory credit histories; (ii) the competitive pricing offered to secure new orders and further expand our market share; and (iii) an increase in the complexity of products sold.

Such increase was partially offset by the increase in the sales of products manufactured in Cambodia to approximately 73% of the total revenue for 1H2018 from approximately 66% for 1H2017 in order to enjoy the lower labour costs and the economies of scale.

Gross profit and gross profit margin

With the factors as mentioned above, the Group's gross profit decreased to approximately HK\$57.6 million for 1H2018 from approximately HK\$72.9 million for 1H2017, representing a decrease of approximately 21%.

Other gains, net

The Group's other gains primarily consist of net exchange gains and gain on sales of scrap materials.

Other gains increased to approximately HK\$6.4 million for 1H2018 from approximately HK\$2.4 million for 1H2017 mainly as a result of an increase in exchange gain arising from depreciation of Renminbi ("RMB") against HK\$ of HK\$4.4 million.



Management Discussion and Analysis

Selling and distribution expenses

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

Selling and distribution expenses increased to approximately HK\$18.1 million for 1H2018 from approximately HK\$13.5 million for 1H2017, representing an increase of approximately 34.1%. The increase was primarily due to an increase in transportation and customs charges as a result of an increase in sales.

Administrative expenses

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

Administrative expenses decreased to approximately HK\$28.5 million for 1H2018 from approximately HK\$33.8 million for 1H2017, representing a decrease of approximately 15.7%. Such decrease was mainly due to the non-recurring listing expenses of approximately HK\$16.4 million incurred during 1H2017. Such decrease for 1H2018 was partially offset by (i) the increase in provision of impairment of trade receivables by approximately HK\$5.0 million; and (ii) the increase in headcount and their compensation level following the expansion of our operation.

Finance costs, net

Net finance costs increased by approximately HK\$0.8 million or 72% from approximately HK\$1.1 million for 1H2017 to approximately HK\$1.9 million for 1H2018.

The increase was mainly due to an increase in interest expense on bills payables of approximately HK\$1.2 million.

Income tax expenses

The Group's income tax expenses decreased by approximately HK\$4.9 million or 95% from HK\$5.2 million for 1H2017 to approximately HK\$0.3 million for 1H2018.

The decrease was mainly due to a decrease in assessable profit for the period. Our effective tax rate decreased from 19.2% for 1H2017 to 1.8% for 1H2018. The decrease in effective tax rate for 1H2018 when compared with 1H2017 was mainly due to the combined result of tax holiday on assessable profits of Wah Sun HK Factory (Cambodia) Co., Ltd ("**Wah Sun Cambodia**"), a wholly-owned subsidiary of the Company, for four financial years starting from 1 January 2015 and the expenses not deductible for tax purpose mainly due to the listing expenses incurred during 1H2017.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately HK\$6.5 million or 30.0% to approximately HK\$15.2 million for 1H2018 from approximately HK\$21.8 million for 1H2017.

Our net profit margin decreased from 6.1% for 1H2017 to 4.2% for 1H2018, which was mainly due to a decrease in gross profit margin from 20.6% for 1H2017 to 16.0% for 1H2018.

Such decrease for 1H2018 was partially alleviated by the non-recurring listing expenses of HK\$16.4 million incurred during 1H2017.

Management Discussion and Analysis

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and pledge of assets

As at 30 September 2018, the Group had borrowings (including bank borrowings and finance leases) of approximately HK\$21 million (31 March 2018: approximately HK\$20 million).

Bank borrowings were secured by bank deposits of approximately HK\$22 million (31 March 2018: approximately HK\$22 million) as of 30 September 2018.

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 a sound financial policy. The Group continues to improve its operational efficiency in order to improve the healthiness of the working capital. The Group has normally funded its working capital requirements primarily through net cash generated from the operating activities and bank borrowings. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing sustainable and stable dividend return to the Shareholders.

Liquidity ratios

As at 30 September 2018, the Group had cash and cash equivalents of approximately HK\$78 million (31 March 2018: approximately HK\$109 million). The Group's current ratio, gearing ratio and net debt to equity ratios are as follows:

	30 September 2018 (Unaudited)	31 March 2018 (Audited)
Current ratio	1.8	1.8
Gearing ratio	9.6%	9.7%
Net debt to equity ratio	Net cash	Net cash

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

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

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

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



Management Discussion and Analysis

Financial management, treasury policy and foreign currency exposure

The Group's financial management, treasury policy and foreign currency exposure had not been materially changed since the information disclosed in our annual report for the year ended 31 March 2018.

Employee and remuneration policy

As at 30 September 2018, the Group employed a total of 4,953 employees (31 March 2018: 4,913 employees). It is the policy of the Group to provide a regular review on its employees' pay levels, performance bonus system and other fringe benefits (including social insurance coverage and sponsored training) to ensure that the remuneration policy is competitive within the relevant industry. During 1H2018, the staff costs (including directors' emoluments) amounted to approximately HK\$77 million (year ended 31 March 2018: approximately HK\$157 million).

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

As at 30 September 2018, no share option had been granted under the Company's Share Option Scheme and therefore, no share options were exercised or cancelled or lapsed during 1H2018.

Significant investments/material acquisitions and disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during 1H2018.

Future plans for material investments or capital assets

Saved as disclosed in the prospectus of the Company dated 10 January 2018 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets as at 30 September 2018.

Capital commitments

As at 30 September 2018, the Group had capital commitments of approximately HK\$3.7 million (31 March 2018: approximately HK\$6.2 million) in respect of acquisition of property, plant and equipment.

Contingent liabilities

As at 30 September 2018, the Group did not have any significant contingent liabilities (31 March 2018: Nil).

Event after the reporting period

There have been no other material events occurring after the reporting period and up to the date of this interim report.

Interim dividend

The Board has resolved not to declare the payment of an interim dividend to the Shareholders for 1H2018 (1H2017: Nil).

Management Discussion and Analysis

Use of proceeds

On 22 January 2018, the issued shares of the Company (the “Shares”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A total of 108,626,000 Shares were issued to the public at HK\$1.18 per Share for total gross proceeds of approximately HK\$128.2 million (the “IPO”). The total net proceeds raised from the IPO (the “Net Proceeds”) were approximately HK\$85.3 million after the deduction of related listing expenses.

Up to the date of this report, the amount of the Net Proceeds which have remained unutilised amounted to approximately HK\$47.7 million.

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amounts of the Net Proceeds as at the date of this report:

		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%	38.5	12.3	26.2
Leasing of land and construction of production plant	25%	21.4	7.6	13.8
Fitting out works	5%	4.3	1.0	3.3
Purchasing of production equipment	15%	12.8	3.7	9.1
Establishing a product development team				
in Cambodia	15%	12.8	2.6	10.2
Upgrading existing software and hardware	10%	8.5	4.2	4.3
Refurbishment of the existing facilities	10%	8.5	5.0	3.5
Installing showrooms in Dongguan, the PRC				
and Cambodia	10%	8.5	5.0	3.5
General working capital	10%	8.5	8.5	–
	100%	85.3	37.6	47.7

The second phase of our expansion plan is expected to complete by end of 2018 while the third phase of our expansion plan is expected to commence by or around 2019. To the practicable extent which is in the best interests of the Company, the Directors intend to continue to apply the remaining Net Proceeds in accordance with the uses and in the proportions as stated in the Prospectus.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

During 1H2018, the Company had complied with all the code provisions, where applicable, of the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules” and the “CG Code”, respectively).

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

As at 30 September 2018, the interests and short positions of the Company’s directors (the “Directors”) and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 Directors/ Chief executive	Capacity/Nature of interest (Note 1)	Number of Shares/ underlying Shares interested (L) (Note 2)	Approximate percentage of the Company’s issued Shares*
Mr. Ma Hing Man	Interest in a controlled corporation, interest held jointly with other persons	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%

Corporate Governance and Other Information

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, amongst other matters, to consolidate his/her 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 underlying Shares interested divided by the number of issued Shares of 408,626,000 as at 30 September 2018.

(ii) Interest in Associated Corporation

Name of Directors	Name of associated corporation	Capacity/Nature of interest (Note 1)	Number of shares held (L) (Note 2)	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%

Corporate Governance and Other Information

Notes:

1. Wah Sun Holdings is a direct Shareholder 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, amongst other matters, to consolidate his/her 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 30 September 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 30 September 2018, so far as is known to the Directors, the following entities or persons 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 Shareholders	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%

Corporate Governance and Other Information

Notes:

1. The letter "L" denotes the person's long position in such Shares.
 2. Wah Sun Holdings is a direct Shareholder.
 3. Wah Sun Holdings is beneficially owned as to 20% each by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung. Each of them is also a party to an acting in concert deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and 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 of 408,626,000 as at 30 September 2018.

Save as disclosed above, as at 30 September 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During 1H2018, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct governing the securities transactions by the Directors. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code throughout 1H2018. The Model Code also applies to other specified senior management of the Group in respect of their dealing in the Company's securities.



Corporate Governance and Other Information

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling Shareholders (as defined under the Listing Rules) or their respective close associates (as defined under the Listing Rules) had interests in any business apart from the Group's business which competed or was likely to complete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person had or might have with the Group during 1H2018.

REVIEW BY AUDIT COMMITTEE

The audit committee of the board of Directors (the "Board" and the "Audit Committee", respectively) comprises three independent non-executive Directors with written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code, and reports to the Board. The Audit Committee has reviewed and discussed with the Board the unaudited condensed consolidated financial statements of the Group for 1H2018 (the "Condensed Consolidated Financial Statements") and this report. PricewaterhouseCoopers, as the Company's independent auditor, has reviewed the Condensed Consolidated Financial Statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

APPRECIATION

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

By order of the Board

Wah Sun Handbags International Holdings Limited

Man Hing Man

Chairman and Executive Director

Hong Kong, 26 November 2018

Report on Review of Condensed Consolidated Financial Statements



羅兵咸永道

To the Board of Directors of
Wah Sun Handbags International Holdings Limited
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 42, which comprises the interim condensed consolidated statement of financial position of Wah Sun Handbags International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 September 2018 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 November 2018

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Condensed Consolidated Income Statement

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	6	359,532	354,299
Cost of sales		(301,901)	(281,392)
Gross profit		57,631	72,907
Other income	6	6	31
Other gains, net	6	6,395	2,403
Selling and distribution expenses		(18,124)	(13,514)
Administrative expenses		(28,508)	(33,798)
Operating profit		17,400	28,029
Finance income		343	68
Finance costs		(2,215)	(1,157)
Finance costs, net	7	(1,872)	(1,089)
Profit before income tax	8	15,528	26,940
Income tax expenses	9	(282)	(5,174)
Profit for the period attributable to owners of the Company		15,246	21,766
		HK cents	HK cents
Basic and diluted earnings per share for profit attributable to owners of the Company	11	3.7	7.3

The notes on pages 23 to 42 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	15,246	21,766
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Currency translation differences	(1,154)	749
— Fair value change of financial asset at fair value through other comprehensive income	(242)	—
	(1,396)	749
Total comprehensive income for the period attributable to owners of the Company	13,850	22,515

The notes on pages 23 to 42 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	<i>Notes</i>	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		328	350
Property, plant and equipment	12	54,949	45,666
Financial asset at fair value through other comprehensive income	13	1,197	—
Deposits paid for plant and equipment		161	1,213
Deferred income tax assets		60	—
		56,695	47,229
Current assets			
Inventories	14	115,813	104,278
Trade receivables	15	149,385	125,001
Prepayments, deposits and other receivables	15	10,753	13,572
Current income tax recoverable		917	1,127
Pledged bank deposits	16	22,423	22,360
Cash and cash equivalents	16	78,025	108,900
		377,316	375,238
Total assets		434,011	422,467
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	4,086	4,086
Share premium	17	109,611	109,611
Exchange reserve		2,205	3,359
Capital reserve		21,656	21,656
Fair value through other comprehensive income reserve		(242)	—
Retained earnings		80,463	69,878
Total equity		217,779	208,590

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	<i>Notes</i>	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		792	752
		792	752
Current liabilities			
Trade and bills payables	<i>18</i>	166,752	166,030
Accruals and other payables	<i>18</i>	22,851	24,268
Current income tax liabilities		738	2,675
Borrowings	<i>19</i>	21,013	20,152
Dividend payable		4,086	—
		215,440	213,125
Total liabilities		216,232	213,877
Total equity and liabilities		434,011	422,467

The notes on pages 23 to 42 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Share capital HK\$'000 (Note 17)	Share premium HK\$'000 (Note 17)	Exchange reserve HK\$'000	Capital reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2017 (Audited)	—	—	2,264	21,656	—	44,300	68,220
Comprehensive income							
Profit for the period	—	—	—	—	—	21,766	21,766
Other comprehensive income							
Currency translation difference	—	—	749	—	—	—	749
Total comprehensive income	—	—	749	—	—	21,766	22,515
As at 30 September 2017 (Unaudited)	—	—	3,013	21,656	—	66,066	90,735
Balance as at 31 March 2018 (Audited)	4,086	109,611	3,359	21,656	—	69,878	208,590
Change in accounting policies (Note 3)	—	—	—	—	—	(575)	(575)
Restated total equity as at 1 April 2018	4,086	109,611	3,359	21,656	—	69,303	208,015
Comprehensive income							
Profit for the period	—	—	—	—	—	15,246	15,246
Other comprehensive loss							
Currency translation difference	—	—	(1,154)	—	—	—	(1,154)
Fair value change of key management insurance contract	—	—	—	—	(242)	—	(242)
Total comprehensive income/(loss)	—	—	(1,154)	—	(242)	15,246	13,850
2017/18 final dividend (Note 10)	—	—	—	—	—	(4,086)	(4,086)
As at 30 September 2018 (Unaudited)	4,086	109,611	2,205	21,656	(242)	80,463	217,779

The notes on pages 23 to 42 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash used in operations	(12,471)	(2,014)
Income tax paid	(2,031)	(851)
Net cash used in operating activities	(14,502)	(2,865)
Cash flows from investing activities		
Purchases of property, plant and equipment	(12,717)	(7,183)
Increase in pledged bank deposits	(63)	(64)
Investment in a key management insurance contract	(1,439)	—
Advances to directors	—	(22,147)
Repayment received from related parties	—	6,653
Interest received	343	68
Net cash used in investing activities	(13,876)	(22,673)
Cash flows from financing activities		
Proceeds from borrowings	7,577	—
Repayment of borrowings	(6,652)	(7,578)
Repayment of finance lease obligations	(64)	(174)
Interest paid	(2,215)	(1,157)
Net cash used in financing activities	(1,354)	(8,909)
Net decrease in cash and cash equivalents	(29,732)	(34,447)
Cash and cash equivalents at beginning of the period	108,900	51,365
Currency translation difference	(1,143)	338
Cash and cash equivalents at end of the period	78,025	17,256

The notes on pages 23 to 42 are an integral part of these Condensed Consolidated Financial Statements.

Notes to The Condensed Consolidated Financial Statements

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

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

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

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

2. BASIS OF PREPARATION

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

The accounting policies applied to this condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2018 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

(a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 April 2018 and currently relevant to the Group:

- Amendments to HKFRS 1 and HKAS 28, “Annual Improvements 2014–2016 Cycle”
- Amendments to HKFRS 2, “Classification and Measurement of Share-based Payment Transactions”
- HKFRS 9, “Financial Instruments”
- HKFRS 15, “Revenue from Contracts with Customers”
- Amendments to HKFRS 15, “Clarifications to HKFRS 15”
- Amendments to HKAS 40, “Transfers of Investment Property”
- HK(IFRIC)-Int 22, “Foreign Currency Transactions and Advance Consideration”

Notes to The Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

- (a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 April 2018 and currently relevant to the Group: (Continued)

The impact of the adoption of HKFRS 9, “Financial Instruments” and HKFRS 15, “Revenue from Contracts with Customers” are disclosed in Note 3 below.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 April 2018 and have not been early adopted by the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, “Prepayment Features with Negative Compensation”	1 January 2019
HKFRS 16, “Leases”	1 January 2019
HK(IFRIC)-Int 23, “Uncertainty over Income Tax Treatments”	1 January 2019
HKFRS 17, “Insurance Contracts”	1 January 2021
Amendments to HKFRS 10 and HKAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined

HKFRS 16 “Leases” The Group is a lessee of its office buildings and land which are currently classified as operating leases.

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.

Notes to The Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 April 2018 and have not been early adopted by the Group:
(Continued)

As at 30 September 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\$11,100,000 as set out in Note 20(b) to the condensed consolidated financial statements. Out of this balance, HK\$7,668,000 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 exempted 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 (the “Directors”) 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.

Apart from the aforementioned HKFRS 16, the Directors are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The Group will adopt the new standards and amendments to standards when they become effective.

3. CHANGES IN ACCOUNTING POLICIES

The notes below explain the impact of the adoption of HKFRS 9, “Financial Instruments” and HKFRS 15, “Revenue from Contracts with Customers” on the Group’s condensed consolidated financial information and also disclose the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details as below.

Condensed consolidated statement of financial position (extract)	31 March 2018 as originally presented HK\$'000	Effects of the adoption of HKFRS 9 HK\$'000	1 April 2018 Restated HK\$'000
Current assets			
Trade receivables	125,001	(575)	124,426
Equity			
Retained earnings	69,878	(575)	69,303



Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) HKFRS 9 Financial instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	HK\$'000
Opening retained earnings – HKAS 39	69,878
Adjustment to retained earnings from adoption of HKFRS 9	(575)
Opening retained earnings – HKFRS 9	69,303

The adoption of HKFRS 9, "Financial Instruments" from 1 April 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 3(b) below.

(i) *Classification and measurement*

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

(ii) *Impairment of financial assets*

The Group's significant financial assets which are subject to the new expected credit loss model include cash and cash equivalents, pledged bank deposits, financial asset at fair value through other comprehensive income and trade receivables and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

Critical accounting estimate and judgement

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While other receivables, financial asset at fair value through other comprehensive income, cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) HKFRS 9 Financial instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowances for trade receivables as at 31 March 2018 reconcile to the opening loss allowance on 1 April 2018 as follows:

	Trade receivables HK\$'000
As at 31 March 2018 – HKAS 39	1,565
Amounts additionally provided through opening retained earnings on adoption of HKFRS 9	575
Opening loss allowance as at 1 April 2018 – HKFRS 9	2,140

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) HKFRS 9 Financial Instruments – Accounting policies

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.



Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial Instruments – Accounting policies (Continued)

(ii) *Measurement (Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling of the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

(iii) *Impairment*

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented in "administrative expenses". For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. Thus, the comparative figures have not been restated.

As a result of the changes in the Group's accounting policies, certain reclassifications are not reflected in the condensed consolidated statement of financial position as at 31 March 2018, but are recognised in the opening condensed consolidated statement of financial position on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

The impact of the reclassification is as follows:

	Receipt in advance from a customer HK\$'000	Contract liabilities HK\$'000
Opening balance – HKAS 18	2,416	–
Reclassify receipts in advance to contract liabilities	(2,416)	2,416
Opening balance – HKFRS 15	–	2,416

Presentation of contract liabilities

As at 31 March 2018, receipts in advance, amounting to HK\$2,416,000, represented the Group's obligation to transfer goods to the customers for which the Group has received consideration from the customer and was included in accruals and other payables.

As at 30 September 2018, receipts in advance, i.e. the contract liabilities, were included in accruals and other payables.

Impact on revenue recognition

The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operations based on the current business model, other than presenting additional disclosures.

(d) HKFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 April 2018

The Group is principally engaged in manufacturing and trading handbag products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes to The Condensed Consolidated Financial Statements

4. ESTIMATES

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

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Directors. The directors of the Company consider the business from a product perspective which is the manufacturing and trading of handbag 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 for the purposes of allocating resources and assessing performance of the operating segment in the condensed consolidated financial information of the Group, no separate segmental analysis is presented in these condensed consolidated financial information.

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

Geographical information

The Company is domiciled in Hong Kong. The revenue from customers in the United States of America for the six months ended 30 September 2018 are HK\$228,532,000 (for the six months ended 30 September 2017: HK\$250,869,000), the revenue from customers in Spain are HK\$53,608,000 (for the six months ended 30 September 2017: HK\$42,200,000), and the total revenue from customers in other countries are HK\$77,392,000 (for the six months ended 30 September 2017: HK\$61,230,000). 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, financial asset at fair value through other comprehensive income and deferred income tax assets.

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Cambodia	38,890	35,697
The People's Republic of China (the "PRC")	14,629	9,118
Hong Kong	1,758	1,201
	55,277	46,016

Notes to The Condensed Consolidated Financial Statements

6. REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue:		
Sales of goods	359,532	354,299
Other income:		
Sundry income	6	31
Other gains, net:		
Net exchange gains	6,095	1,653
Gain on sales of scrap materials	300	750
	6,395	2,403
	6,401	2,434

7. FINANCE COSTS, NET

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Finance costs:		
– Interest expense on bank borrowings	(350)	(468)
– Interest expense on bills payables	(1,864)	(684)
– Interest expense on finance lease liabilities	(1)	(5)
	(2,215)	(1,157)
Finance income:		
– Interest income on bank deposits	343	68
Finance costs, net	(1,872)	(1,089)

Notes to The Condensed Consolidated Financial Statements

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Cost of inventories sold	183,042	180,487
Sub-contracting charges	44,284	35,935
Transportation and customs charges	16,313	11,513
Operating lease rental in respect of land and building	1,723	1,384
Employee benefit expense	76,764	70,969
Listing expenses	—	16,380
Amortisation on land use rights	22	22
Depreciation on property, plant and equipment	4,387	3,731
Legal and professional fees	1,452	212
Provision for impairment of trade receivables	4,960	—

9. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current income tax:		
— Hong Kong profits tax	—	4,933
— Overseas taxation	302	207
	302	5,140
Deferred income tax	(20)	34
	282	5,174

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2018 (for the six months ended 30 September 2017: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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.

Notes to The Condensed Consolidated Financial Statements

10. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

A final dividend of HK\$1.0 cent per share for the year ended 31 March 2018 amounted to HK\$4,086,000 has been approved at the annual general meeting of the Company held on 10 September 2018, and has been paid on 29 October 2018.

11. EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. 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 17(d)) to the condensed consolidated financial statements were deemed to have been in issue since 1 April 2016.

	Six months ended 30 September	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	15,246	21,766
Weighted average number of shares in issue (in thousands)	408,626	300,000
Basic earnings per share (HK cents)	3.7	7.3

(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 30 September 2018 and 2017.

Notes to The Condensed Consolidated Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

Net book value:	HK\$'000
As at 1 April 2017 (Audited)	42,140
Additions	11,784
Disposals	(42)
Depreciation charge	(8,344)
Currency translation differences	128
As at 31 March 2018 (Audited)	45,666
Net book value:	HK\$'000
As at 1 April 2018 (Audited)	45,666
Additions	13,769
Depreciation charge	(4,387)
Currency translation differences	(99)
As at 30 September 2018 (Unaudited)	54,949

13. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Financial asset at fair value through other comprehensive income		
— key management insurance contract	1,197	—

Notes to The Condensed Consolidated Financial Statements

13. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

During the six-months period ended 30 September 2018, the Group entered into key management insurance contract to insure one of its key management personnel, which includes both investment and insurance elements. The key management insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the insurance contract (cash surrender value) at the end of each reporting period, with changes recognised in “other comprehensive income/(loss)” in the condensed consolidated statement of comprehensive income.

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies the key management insurance contract in level 2, which is explained as follows:

Level 2: The fair value of financial instruments which are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

14. INVENTORIES

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Raw materials	50,327	33,647
Work-in-progress	49,082	43,257
Finished goods	16,404	27,374
	115,813	104,278

The cost of inventories recognised as expense and included in “cost of sales” in the condensed consolidated income statement amounted to HK\$183,042,000 for the six months ended 30 September 2018 (for the year ended 31 March 2018: HK\$311,937,000).

Notes to The Condensed Consolidated Financial Statements

15. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade receivables	156,485	126,566
Less: provision for impairment of trade receivables	(7,100)	(1,565)
Trade receivables, net <i>(Note)</i>	149,385	125,001
Deposits	1,309	1,075
Prepayments	807	6,355
Value-added tax recoverable	8,637	7,155
Other receivables	161	200
	10,914	14,785
Less: non-current portion		
Deposits paid for plant and equipment	(161)	(1,213)
Current portion	10,753	13,572

The maximum exposure to credit risk as at 30 September 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 deposits, trade and other receivables excluding prepayments and value-added tax recoverable approximate their fair values.

Note:

Trade receivables

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Within 30 days	60,403	36,072
31 to 60 days	34,902	39,705
61 to 90 days	27,750	38,237
Over 90 days	33,430	12,552
	156,485	126,566

Notes to The Condensed Consolidated Financial Statements

16. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Cash at bank	77,564	108,677
Cash on hand	461	223
Cash and cash equivalents	78,025	108,900
Pledged bank deposits	22,423	22,360
Cash and bank balances	100,448	131,260
Maximum exposure to credit risk	99,987	131,037

As at 30 September 2018, pledged bank deposits of HK\$22,423,000 (31 March 2018: HK\$22,360,000) 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 30 September 2018 and 31 March 2018, the pledged bank deposits are denominated in both US\$ and HK\$.

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

17. SHARE CAPITAL AND SHARE PREMIUM

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

Authorised share capital:

	Number of Share	Nominal value of ordinary shares HK\$'000
As at 29 May 2017 (date of incorporation)	38,000,000	380
Increase in authorised share capital (<i>Note (c)</i>)	4,962,000,000	49,620
As at 31 March 2018 (Audited) and 30 September 2018 (Unaudited)	5,000,000,000	50,000

Notes to The Condensed Consolidated Financial Statements

17. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000
As at 29 May 2017 (date of incorporation) (Note (a))	1	—	—
Shares issued pursuant to the Reorganisation (Note (b))	9,999	—	—
Shares issued pursuant to the Capitalisation Issue (Note (d))	299,990,000	3,000	(3,000)
Shares issued pursuant to the share offer in Listing (Note (e))	100,000,000	1,000	117,000
Shares issued pursuant to exercise of over-allotment option (Note (f))	8,626,000	86	10,093
Listing expenses related to the issue of new shares (Note (g))	—	—	(14,482)
As at 31 March 2018 (Audited) and 30 September 2018 (Unaudited)	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.
- (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.
- (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.

Notes to The Condensed Consolidated Financial Statements

18. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade payables	79,543	69,950
Bills payables	87,209	96,080
Trade and bills payables <i>(Note)</i>	166,752	166,030
Accruals and other payables		
— Accrued salaries	12,615	12,088
— Accruals for listing expenses	—	3,559
— Other accruals and payables	9,518	6,205
— Receipt in advance from a customer	—	2,416
— Contract liabilities	718	—
	22,851	24,268
	189,603	190,298

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

Note:

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Within 30 days	61,234	60,758
31 to 60 days	35,760	74,321
61 to 90 days	52,202	25,354
Over 90 days	17,556	5,597
	166,752	166,030

Notes to The Condensed Consolidated Financial Statements

19. BORROWINGS

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Bank borrowings	20,981	20,056
Finance lease liabilities	32	96
	21,013	20,152

During the six months ended 30 September 2018, the Group obtained new borrowings in aggregate amount of HK\$7,577,000 and repaid borrowings in aggregate amount of HK\$6,652,000. As at 30 September 2018, the weighted average interest rates of the bank borrowings were 4.7% (31 March 2018: 3.7%).

20. COMMITMENTS

(a) Capital commitments

As at 30 September 2018, capital expenditure contracted for but not yet incurred are as follows:

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Property, plant and equipment	3,715	6,170

(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 condensed consolidated income statement are disclosed in Note 8 to the Condensed Consolidated Financial Statements.

Notes to The Condensed Consolidated Financial Statements

20. COMMITMENTS (CONTINUED)

(b) Operating lease commitments as lessee (Continued)

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
No later than 1 year	3,432	3,432
Later than 1 year and no later than 5 years	7,668	9,384
	11,100	12,816

21. RELATED PARTY TRANSACTIONS

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

- (a) The directors 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 period:

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

Notes to The Condensed Consolidated Financial Statements

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

During the six months ended 30 September 2018, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Rental expenses paid or payable to related parties		
– Ms. Dong Yan	1,488	1,147
– Ms. Ma Lan Chu and Ms. Yung Ngan Sim	144	144
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	84	84
	1,716	1,375

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

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries, bonus and other allowances	4,296	3,730
Retirement benefit costs		
– Mandatory Provident Fund Scheme	78	75
	4,374	3,805

22. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2018 and 31 March 2018.

23. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Financial Statements were approved and authorised for issue by the Board on 26 November 2018.