



**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**



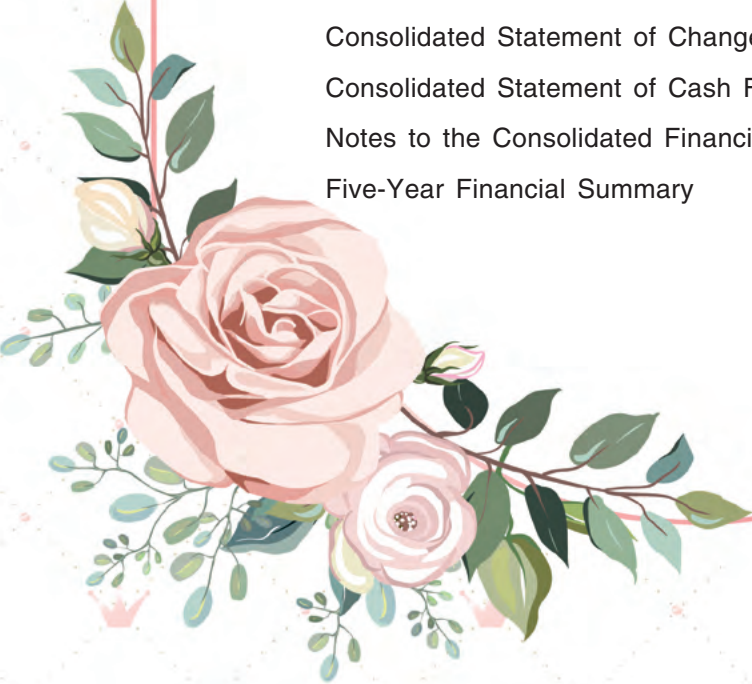
**2018/19**  
**ANNUAL REPORT**





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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

## 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  
73<sup>rd</sup> Floor, The Center  
99 Queen's Road Central  
Hong Kong



## Corporate Information

### LEGAL ADVISER AS TO HONG KONG LAW

Howse Williams  
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  
11<sup>th</sup> Floor  
The Center  
99 Queen's Road Central  
Hong Kong

Bank of China (Hong Kong) Limited  
14<sup>th</sup> Floor  
Bank of China Tower  
1 Garden Road  
Hong Kong

Dah Sing Bank Limited  
36<sup>th</sup> Floor  
Everbright Centre  
108 Gloucester Road  
Hong Kong

### COMPANY'S WEBSITE

[www.wahsun.com.hk](http://www.wahsun.com.hk)

### STOCK CODE

2683

### BOARD LOT

2,000 shares

# Chairman's Statement





## Chairman's Statement



**Ma Hing Man**

*Chairman*

## Chairman's Statement



On behalf of the board of Directors (the “**Board**”) of Wah Sun Handbags International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), I am pleased to present the audited consolidated financial statements of the Group for the year ended 31 March 2019 (“**this Year**” and the “**Consolidated Financial Statements**”, respectively).

The Group is a non-leather handbag original equipment manufacturer (the “**OEM**”) and principally manufactures and trades handbag products. The shares of the Company (the “**Shares**”) in issue have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 22 January 2018.

The Group’s revenue increased by approximately HK\$62.0 million or approximately 8.9% to approximately HK\$759.5 million for this Year from approximately HK\$697.5 million for the year ended 31 March 2018 (“**Year 2018**”). The increase in revenue was 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 the Kingdom of Cambodia (“**Cambodia**”); and (iii) the ramp up of production capacity following the completion of the second phase of our expansion plan in Cambodia for this Year.

The Group’s sales were still predominantly made to North America, accounting for approximately 66% of total revenue for this Year (Year 2018: approximately 69%). The share of revenues from European customers has increased by approximately 2% to approximately 24% for this Year when compared with that of Year 2018.

During this Year, 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.





## Chairman's Statement

We have reluctantly ceased our business with a customer (the **"Previous Customer"**) who filed a voluntary petition (the **"Petition"**) for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York in April 2018. In view of the Petition and with reference to the information submitted by the Previous Customer to the relevant court pursuant to Chapter 11 of the United States Bankruptcy Code in November 2018, an additional provision for impairment of trade receivables of approximately HK\$5.0 million has been made and charged to the income statement of the Group as an expense for this Year. Based on the latest information currently available, we assessed and expected the recoverable amount from the Previous Customer would be around HK\$1.3 million of which approximately HK\$1.1 million has been received in cash in May 2019.

On the other hand, 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.

We 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 relationship with our existing customers and expand our customer base. During this Year, we continued to expand our production facilities and improve our production capacity in Cambodia.

The expansion plan of our Cambodia factory is divided into three phases. The first and the second phases of our expansion plan had been completed in March 2018 and December 2018, respectively. The third phase of our expansion plan for the warehousing space and

staff accommodation on the currently unused portion of the leased land in Cambodia has commenced in May 2019 and are expected to be completed by the third quarter of 2019. We are also considering after completion of current expansion plan to continue our expansion plan in Cambodia with reference to the latest market condition from time to time. Going forward, we intend to maintain our production facilities in the People's Republic of China (the **"PRC"** or **"China"**, for the purpose of this report only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) 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.

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 is prepared to continue to adopt the following strategies:

- strive to consolidate our advantages in the industry by optimising customer structure through focusing on those customers with relatively high gross profit while sifting out those customers with unsatisfactory credit history. 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;
- continue to diversify our customer base and capture greater market share in different markets, such as those of Europe and Asia;
- continue to enhance our operational efficiency through upgrading existing facilities and enhancing information technology infrastructure; and
- continue to recruit and train experienced staff to enhance product development support.

## Chairman's Statement

On behalf of the Board, I would like to express my sincere gratitude to all shareholders of the Company (the “**Shareholders**”), business partners and banks for their great support and to our dedicated staff at all levels for their commitment and valuable contributions over the past years. With the continuous support from our stakeholders, 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.



Ancillary office in Cambodia



Production base in Cambodia

**Ma Hing Man**  
*Chairman*

Hong Kong, 26 June 2019

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

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

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

	Year ended 31 March			
	2019 HK\$'000 (audited)	%	2018 HK\$'000 (audited)	%
Cambodia	606,036	79.8	487,028	69.8
Dongguan, the PRC	153,419	20.2	210,464	30.2
	<b>759,455</b>	<b>100.0</b>	697,492	100.0

The Group's revenue increased to approximately HK\$759.5 million for this Year from approximately HK\$697.5 million for Year 2018, representing an increase of approximately 8.9%.

The Group recorded an increase of revenue from customers in North America by approximately HK\$16.6 million and was also able to make a significant growth in sales from the European customers by approximately HK\$32.6 million during this Year when compared with that of Year 2018. This was mostly due to the outperformance of the European market, driven by Cambodia's favorable trade arrangements, especially by 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 76.2% of the total revenue for this Year, with sales to the largest customer, accounting for approximately 24.1% of the total revenue for this Year.

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

# Management Discussion and Analysis

## Revenue (Continued)

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

	Year ended 31 March	
	2019 (audited)	2018 (audited)
Revenue (HK\$'000)	759,455	697,492
Quantities sold (Unit'000)	14,067	13,841
Average selling price (HK\$/Unit)	54.0	50.4

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 raw materials consumed; (ii) labour costs; (iii) sub-contracting charges; and (iv) others.

The cost of sales increased to approximately HK\$625.3 million for this Year from approximately HK\$545.2 million for Year 2018, representing an increase of approximately 14.7%.

The increase of the Group's cost of sales was higher than its sales growth during this Year. This 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 79.8% of the total revenue for this Year from approximately 69.8% for Year 2018 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\$134.1 million for this Year from approximately HK\$152.3 million for Year 2018, representing a decrease of approximately 11.9%.

## Other gains, net

The Group's other gains primarily consist of net exchange gains, gain on sales of scrap materials and fair value change of financial asset at fair value through profit or loss.

Other gains increased to approximately HK\$8.1 million for this Year from approximately HK\$2.9 million for Year 2018 mainly as a result of an increase in exchange gain arising from the depreciation of Renminbi ("RMB") against Hong Kong dollar ("HK\$").

# 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\$39.5 million for this Year from approximately HK\$33.1 million for Year 2018, representing an increase of approximately 19.1%. The increase was primarily due to the increase in transportation and customs charges in line with 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\$48.7 million for this Year from approximately HK\$64.0 million for Year 2018, representing a decrease of approximately 23.8%. Such decrease was mainly due to the non-recurring Listing expenses of approximately HK\$24.3 million incurred during Year 2018. Such decrease for this Year was partially offset by the increase in headcount and their compensation level following the expansion of our operation.

## Finance costs, net

Net finance costs increased by approximately HK\$1.5 million or approximately 65.3% from approximately HK\$2.3 million for Year 2018 to approximately HK\$3.8 million for this Year.

The increase was mainly due to an increase in interest expense on bills payables.

## Income tax expenses

The Group's income tax expenses decreased by approximately HK\$6.0 million or approximately 58.0% from HK\$10.3 million for Year 2018 to approximately HK\$4.3 million for this Year.

The decrease was mainly due to the decrease in the assessable profit for this Year. Our effective tax rate decreased from 18.4% for Year 2018 to 9.6% for this Year. The decrease in effective tax rate for this Year when compared with that of Year 2018 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 to 31 December 2018 and the expenses not deductible for tax purpose mainly due to the Listing expenses incurred during Year 2018.



# Management Discussion and Analysis

## Profit for the Year

As a result of the foregoing and the increase in provision for impairment of trade receivables by approximately HK\$3.7 million from approximately HK\$1.6 million for Year 2018 to approximately HK\$5.3 million for this Year, profit for this Year decreased by approximately HK\$4.9 million or 10.8% to approximately HK\$40.7 million for this Year from approximately HK\$45.6 million for Year 2018.

Our net profit margin decreased from 6.5% for Year 2018 to 5.4% for this Year, which was mainly due to the decrease in gross profit margin from 21.8% for Year 2018 to 17.7% for this Year.

Such decrease for this Year was partially alleviated by the non-recurring Listing expenses of HK\$24.3 million incurred during Year 2018.

## FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

### Borrowings and pledge of assets

As at 31 March 2019, the Group had borrowings (bank borrowings and finance leases) of approximately HK\$17.3 million (31 March 2018: approximately HK\$20.2 million).

Bank borrowings were secured by bank deposits of approximately HK\$22.5 million (31 March 2018: approximately HK\$22.4 million) as at 31 March 2019.

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

### Foreign currency exposure

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

As HK\$ is pegged to US\$, the management of the Company (the “**Management**”) considered that the foreign exchange risk on US\$ to the Group is minimal. The Group’s exposure to foreign exchange risk is primarily with respect to RMB.

As at 31 March 2019 and 2018, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group.

# Management Discussion and Analysis

## 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 31 March 2019, the Group had cash and cash equivalents of approximately HK\$92.7 million (31 March 2018: approximately HK\$108.9 million). The Group's current ratio, gearing ratio and net debt to equity ratios are as follows:

	31 March 2019	31 March 2018
Current ratio	1.8	1.8
Gearing ratio	7.1%	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 the total equity as at the respective dates and multiplied by 100%.

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

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

## Employee and remuneration policy

As at 31 March 2019, the Group employed a total of 5,060 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 this Year, the staff costs (including Directors' emoluments) amounted to approximately HK\$161.1 million (year ended 31 March 2018: approximately HK\$157.0 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 "Adoption Date" or the "Share Option Scheme", respectively), under which it may grant options to eligible persons.



## Management Discussion and Analysis

No share option has been granted by the Company or agreed to be granted under the Company's Share Option Scheme since the Adoption Date and up to the date of this annual report. Therefore, no share options lapsed or were exercised or cancelled during this Year and there were no outstanding share options as at 31 March 2019.

### Significant investments/material acquisitions and disposals

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

### Future plans for material investments or capital assets

Saved as disclosed in the prospectus of the Company dated 10 January 2018 (the "Prospectus"), the Group did not have other plans for material investments and capital assets as at 31 March 2019.

### Capital commitments

As at 31 March 2019, the Group had capital expenditure contracted for but not yet incurred of approximately HK\$2.2 million (31 March 2018: approximately HK\$6.2 million) in respect of acquisition of property, plant and equipment.

### Contingent liabilities

As at 31 March 2019, the Group did not have any significant contingent liabilities (31 March 2018: Nil).

### Important Events after the reporting period

Save as recoverable amount of approximately HK\$1.1 million has been received in cash in May 2019 from the Previous Customer (out of an expected total of around HK\$1.3 million), there have been no other material events occurring after the reporting period and up to the date of this annual report.

### Dividends

The Board has resolved to recommend the payment of a final dividend of HK4.0 cents per ordinary Share this Year (Year 2018: HK1.0 cent per ordinary Share).



# General Overview of the Country of Cambodia

## OVERVIEW OF CAMBODIA'S POLITICAL ENVIRONMENT

### Government

Cambodia's 1993 constitution set the framework for its national politics. The government operates as a representative parliamentary democracy under a constitutional monarchy. The King of Cambodia (currently Norodom Sihamoni) is the head of the state while the Prime Minister is the head of the government. The Prime Minister is appointed by the king, on the advice and with the approval of the National Assembly. The Prime Minister and the ministerial appointees exercise executive power granted by the king and the National Assembly. Hun Sen has been the Prime Minister of Cambodia since 1985.

Legislative power is shared between the Executive and the Bicameral Parliament of Cambodia (saphea damnang reastr), which consists of a Lower House, the National Assembly (rotsaphea) and an Upper House, the Senate (protsaphea). The 123 members of the Assembly are elected through a proportional representation system and serve for a maximum term of five years. The Senate consists of 61 seats, two of which are appointed by the king and two others by the National Assembly. Commune councilors elected the remaining positions from 24 provinces of Cambodia. Senators serve a six-year term.

The King Norodom Sihamoni was elected by a special nine-member Royal Throne Council. The process was part of a hasty selection put together after the abdication of King Norodom Sihanouk the week before. The selection of Sihamoni was endorsed by Prime Minister Hun Sen and National Assembly spokesperson Prince Norodom Ranariddh (the king's half-brother and current chief advisor), both are members of the Royal Throne Council.

The country remains a one-party state dominated by the Cambodian People's Party ("**CPP**") and Prime Minister Hun Sen, a recast Khmer Rouge official in power since 1985. The open doors to new investment during his reign was yielded the most access to a coterie of cronies of his and his wife; Bun Rany. The Cambodia government has been a vaguely communist free-market state with a relatively authoritarian coalition ruling over a superficial democracy.

As reported by Cambodia Daily and Reuters, Prime Minister Hun Sen has vowed to rule the country until he is 74. Hun Sen is a former Khmer Rouge member who has been defeated. His government is regularly accused of ignoring human rights and suppressing political dissent. The 2013 election results were not recognized by Hun Sen's opposition, leading to massive demonstrations in the capital. Demonstrators were injured and killed in Phnom Penh where 20,000 protesters reportedly gathered, with some clashing with riot police. As stated by Reuters, Hun Sen was considered as a long-ruling dictator.

### Political Culture

According to Human Rights Watch, the Cambodian People's Party is the sole dominant-party in Cambodia. In the 2018 election, the CPP takes all four seats in the Parliament, all 125 seats in the National Assembly and 58 of 62 seats in the Senate.

Hun Sen and his government have been ruling the country with much controversy. Hun Sen was a former Khmer Rouge commander who was originally installed by the Vietnamese. After the Vietnamese left the country, he kept his strong man position by violence and oppression when deemed necessary. As stated by Human Rights Watch and Hartford-Hwp, in 1997 fearing the growing power of his co-Prime Minister, Prince Norodom Ranariddh, Hun launched a coup, purging Ranariddh and his supporters with an army. Ranariddh was ousted and fled to Paris while other opponents were arrested, tortured, and some summarily executed.

According to Transparency International, the Corruption Perception Index of Cambodia stayed at 20 in 2018, which is a low score by reflect the corruption issue in the country. Therefore, investors are expected to face corruption issues while doing business in Cambodia despite on "Anti-Corruption Law" was enacted in 2010, that indicates shows the government is trying to deal with the issue.



# General Overview of the Country of Cambodia

## Foreign Relations

### *The European Union's threatened trade sanctions*

The European Union (“EU”) commenced an 18-month monitoring process on February 11, 2019. It may lead to the suspension of Cambodia’s duty-free trade status over its appalling record on human rights and democracy. The EU recognized Cambodian authorities had taken some positive steps in recent months, such as releasing political dissidents and addressing some restrictions on civil society and trade union activities.

The process consists of six months of monitoring and discussions with the Cambodian authorities. It was then followed by another half-year period for the Commission to produce a report and make a decision on whether or not to withdraw the trade preferences. Any withdrawal would take effect after a further six-month period. The ultimate objective of EU was to push Cambodia improve her human right and democracy.

### *Belt and Road Initiatives*

According to Nikkei Asian Review, Cambodia is an essential ally of China in Southeast Asia and also a primary beneficiary of Beijing’s Belt and Road Initiative. The country has received from China billions of US dollars in financial aid and low interest loans for her infrastructure projects such as railways, dams, and roads.

The Special Economic Zone (“SEZ”) will provide companies with ready access to land, infrastructure, and other services to help them set up and operate businesses. The SEZ has been playing an important role to strengthen Cambodia-China collaboration under the framework of the Belt and Road Initiative. In the future, the government hopes this SEZ will further develop and generate more jobs for Cambodian workers so that the living conditions of workers in this region will be improved.

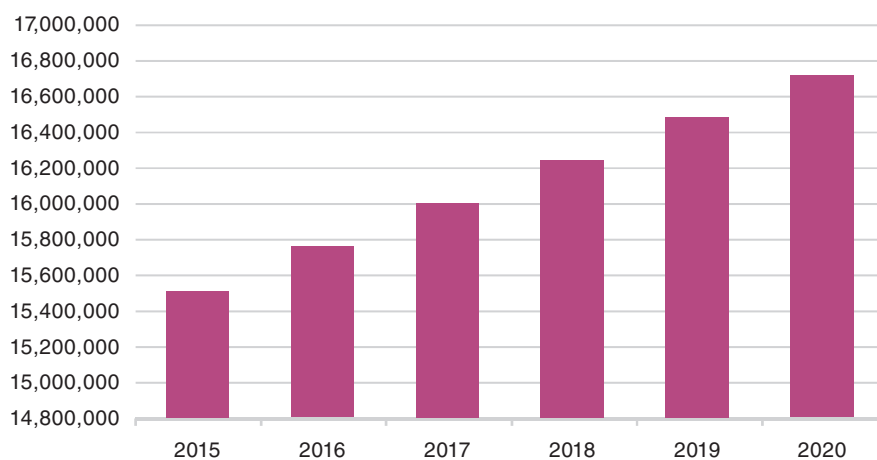
Cambodia does not only depend on China, but also formulate Chinese initiatives with the U.S. to develop an open and free Indo-Pacific region, which was widely seen as a counterweight to the Belt and Road Initiative. The Cambodia Government believes these endeavors should be aligned so as to create a win-win package for the region. However, China and U.S have been engaged in a trade war, thus Cambodia is facing a big challenge.

# General Overview of the Country of Cambodia

## OVERVIEW OF SOCIAL ENVIRONMENT

### Demography

#### Cambodia Population



*Note:* Figure of 2020 is an estimated number

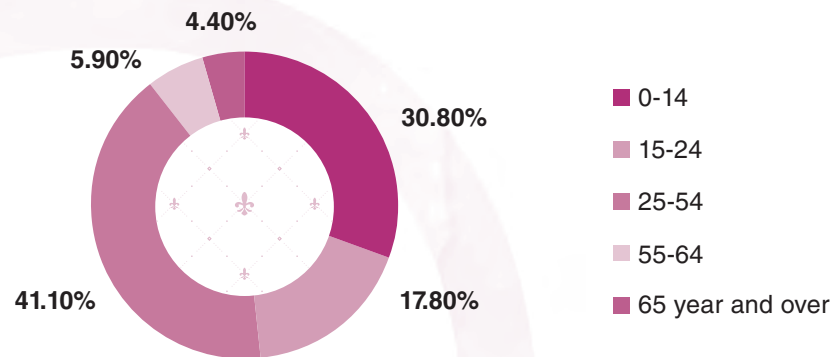
*Source:* Worldometers

The population of Cambodia is expected to reach 16,715,508 in 2020, rising gradually since 2015 with a CAGR of 1.25%.

# General Overview of the Country of Cambodia

## The age distribution

### The Age Distribution in Population in 2018



Source: CIA World Factbook

At 2018, Cambodia has a relatively young population with age under 24 making up almost half of the population, while those below 55 accounted for up to 90% of the population mix. In contrary, just 10% of the population was at or above 55.

## The Ratio of Gender Population

Year	2015	2016	2017	2018	2019 (Forecast)	2020 (Forecast)
Gender Population Ratio (Female)	51.23%	51.22%	51.21%	51.20%	51.19%	51.18%
Gender Population Ratio (Male)	48.77%	48.78%	48.79%	48.80%	48.81%	48.82%

Source: CIA World Factbook

The gender composition of population remains pretty much unchanged from 2015 to 2020 (forecast). The number of females exceeds that of males by approximately 2.4% throughout the period. However, the difference is narrowing down very slightly every year.

# General Overview of the Country of Cambodia

## Net Enrolment Rate in Education Segment

Year	2014	2015	2016	2017	CAGR (2014–2017)
Net Enrolment Rate in Pre-Primary School	16.7%	17.4%	18.5%	20.1%	4.7%
Net Enrolment Rate in Primary School	95.1%	95.3%	92.8%	90.6%	-1.2%
Net Enrolment Rate in Tertiary Education	—	13.1%	—	13.1%	—

Source: United Nations Educational, Scientific and Cultural Organization

The net enrolment rate in pre-primary school increased from 16.7% in 2014 to 20.1% in 2017. As a whole, it showed an upward trend with a CAGR OF 4.7%. However, the net enrolment rate in primary school decreased from 95.1% in 2014 to 90.6% in 2017. Overall, it fell slightly with a CAGR of -1.2%. On the other hand, the net enrolment rate in tertiary education reached 13.1% in both 2015 and 2017.

## Literacy Rate

Year	2014	2015	2016	2017	2018	CAGR (2014–2018)
Literacy Rate (15–45)(%)	87.8%	88.5%	89.2%	89.9%	90.6%	0.63%

Source: National Strategic Development Plan

Throughout 2014 to 2018, the literacy rate of Cambodia between the ages of 15 to 45 increased steadily year on year at a CAGR of 0.63%.

## OVERVIEW OF THE INVESTMENT ENVIRONMENT

### Foreign Direct Investment

According to Bank of Santander, sound macroeconomic policies, political stability, regional economic growth, and an open investment market have been contributing to the dramatic growth of Cambodia's Foreign Direct Investment (FDI) in the past few years. The investment amount increased from USD2.4 billion in 2016 to USD2.8 billion in 2017. As reported by United Nations Conference on Trade and Development ("UNCTAD"), the total FDI amount reached USD20.8 billion in 2017, equivalent to 99.2% of the country's GDP. China, Hong Kong, the U.S and the Netherlands are the leading FDI investors, with China exceeded the total amount of Hong Kong, U.S and the Netherlands.

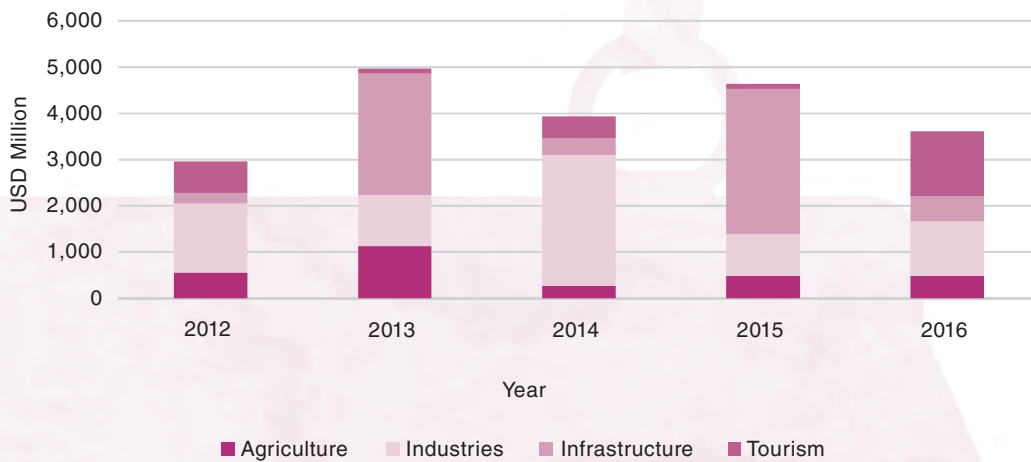
# General Overview of the Country of Cambodia

The construction industry draws the largest portion from foreign investors, followed by infrastructure, industry (primarily textiles), agriculture and tourism. China invested in the new railway project from Phnom Penh to Siem Reap and the Vietnamese border as well. Moreover, China pledged to develop economic and technical cooperation and to expand the area of Preah Ket Mealea Military Hospital in Phnom Penh with a grant of USD65 million.

The 246-megawatt Stung Tata Hydropower Plant in the Koh Kong province has been funded USD1.4 billion from China National Heavy Machinery Corporation. The Hydropower Plant is expected to supply 30% of Cambodia's national power grid. Cambodia has opened a liberal foreign investment regime to attract more foreign investments. The enticements to investors include corporate tax holidays, 100% foreign ownership of companies, a 20% corporate tax rate after the incentive period ends, no restrictions on capital repatriation and duty-free import of capital goods.

## Committed Investment

**Committed Investment 2012–2016**

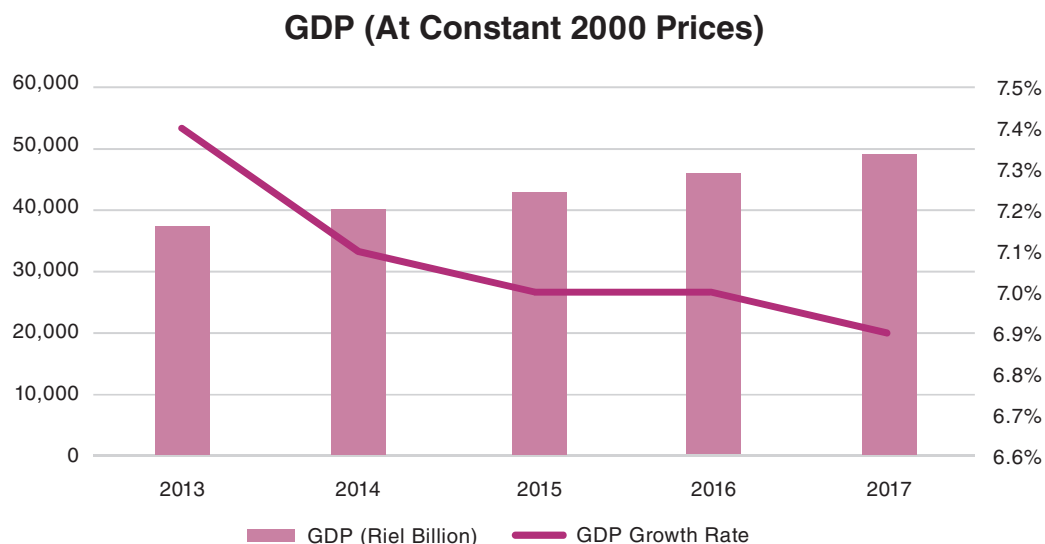


Source: The Council for the Development of Cambodia

The committed investments of Cambodia rose 24% from US\$2.9 Billion in 2012, to US\$3.6 Billion in 2016. According to the Council for the Development of Cambodia, Chinese investors were the most active compared to foreign investors. Over the past five years, Industrial and infrastructure sectors have represented most of the committed investments, which accounted for approximately 72% of total investment in the five years' period.

# General Overview of the Country of Cambodia

## OVERVIEW OF CAMBODIA'S ECONOMY GDP



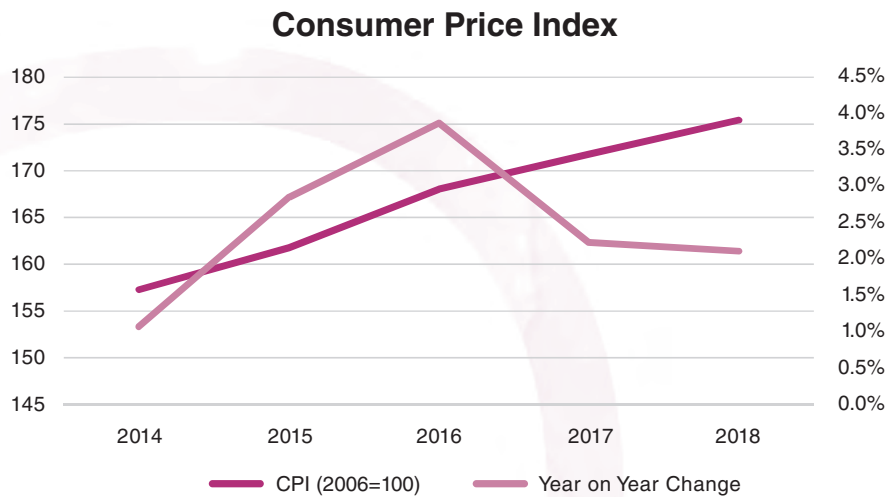
Source: National Bank of Cambodia

During the period from 2013 to 2017, Cambodia's GDP grew between 7.4% to 6.9%.

According to Asian Development Bank, Cambodia's GDP growth rate in 2018 is 7.3%, the highest among the ASEAN countries. It expected Cambodia will continue to be the quickest growing economy in South East Asia in 2019, with a forecast growth of 7.0%. The growth is possibly attributed to the massive inflow of Chinese investment in infrastructure projects on the back of the Belt and Road Initiative, and factories relocating from the mainland to take advantage of the lower labour costs and dodge punitive tariffs imposed by Washington in the ongoing US-China trade war.

# General Overview of the Country of Cambodia

## Consumer Price Index



Source: National Institute of Statistic of Cambodia

The Consumer Price Index (“CPI”) of Cambodia increased from 157.3 in 2014 to 175.4 in 2018 at a CAGR of 2.2%. The inflation rate stayed between 2% and 3% from 2015 to 2018, as illustrated by the table above.

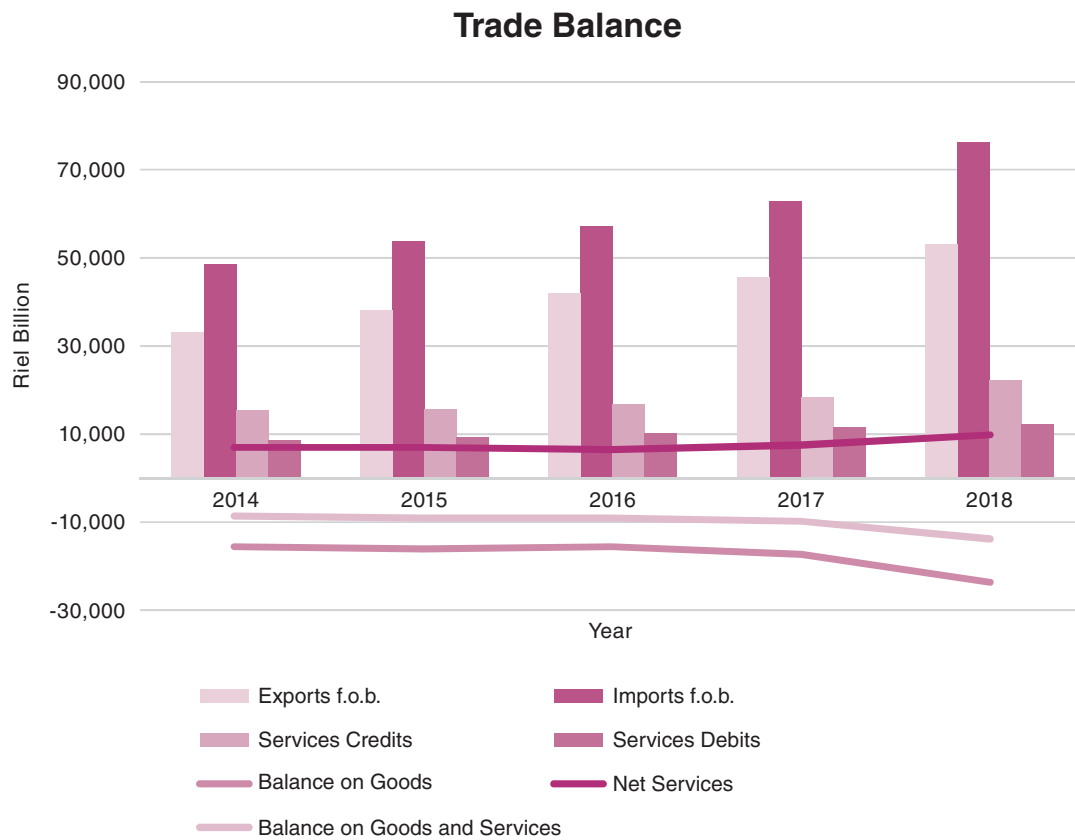
## Exchange Rate

Since 2011, USD against Riel has been floating between a narrow range of 1USD: Riel4,000 to 1USD: Riel4,100. Unlike other South East Asian countries such as Vietnam, Malaysia and Indonesia, its local currency has remained stable in recent years.



# General Overview of the Country of Cambodia

## Trade Balance



Source: National Bank of Cambodia

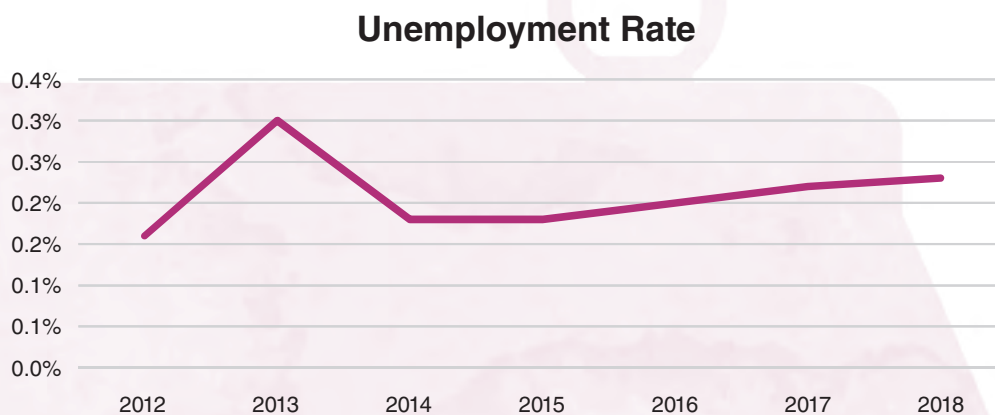
# General Overview of the Country of Cambodia

Cambodia has been facing a long-term trade deficit on goods but trade surplus on services. Although export of goods boosted significantly from Riel32,995 billion in 2014 to Riel52,478 billion in 2018, import of goods rose at a similar rate from Riel48,552 billion to Riel76,101 billion in the same period. As a result, the deficit on balance on goods increased from Riel15,557 billion in 2014 to Riel23,623 billion in 2018, representing a CAGR at 8.71%. On the other hand, net service credit balance increased from Riel6,967 billion to Riel9,835 billion during the same period.

According to the National Bank of Cambodia Annual Report 2017, garment and foot wear are the major export goods of Cambodia, which accounted for approximately 66.9% and 8.1% of total export respectively. Around 25.4% of import goods of Cambodia are garment materials in 2017, followed by petroleum (9.1%) and construction material (5%). Travel services are the major export and import of services of Cambodia, which accounted for 79.7% of exports and 28.9% of imports respectively.

According to the Phnom Penh Post, EU is the biggest market for Cambodia, with approximately 29% of goods and services were exported to EU in 2018. The US followed as Cambodia's second largest market which taken up 24% of its exports. China was the major supplier of Cambodia in 2018, which accounted for around 40% of total import. Thailand and Vietnam followed closely with 15.5% and 11.7% respectively.

## Unemployment Rate



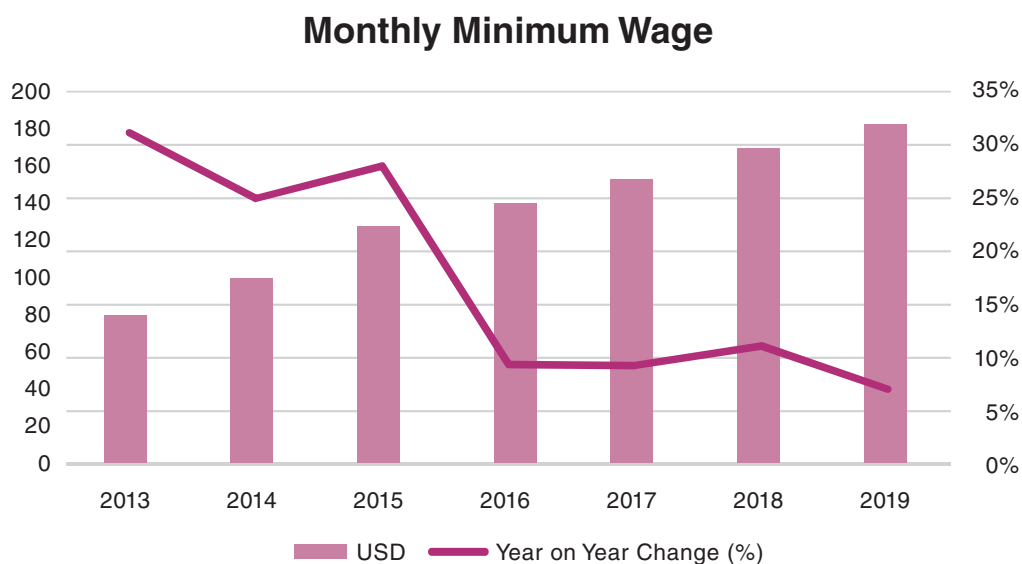
Source: World Bank and IMF

Cambodia has been enjoying an exceptionally low unemployment rate in the last two decades. The unemployment rate of Cambodia reached its “peak” of 0.3% in 2013, the highest in the last seven years.

# General Overview of the Country of Cambodia

## Minimum Wage

The diagram below illustrates monthly minimum wage from 2013 to 2018:

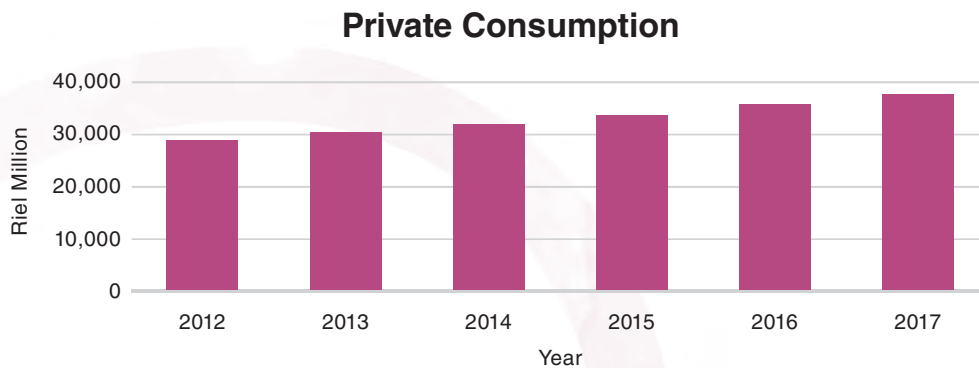


Source: World Bank

Cambodia's monthly minimum wage increased significantly from USD80 in 2013 to USD128 per month in 2015 before starting to ease-off in 2016. The annual increment rate dropped significantly from around 31% in 2013 to 11% in 2018, and reached 7% in 2019.

# General Overview of the Country of Cambodia

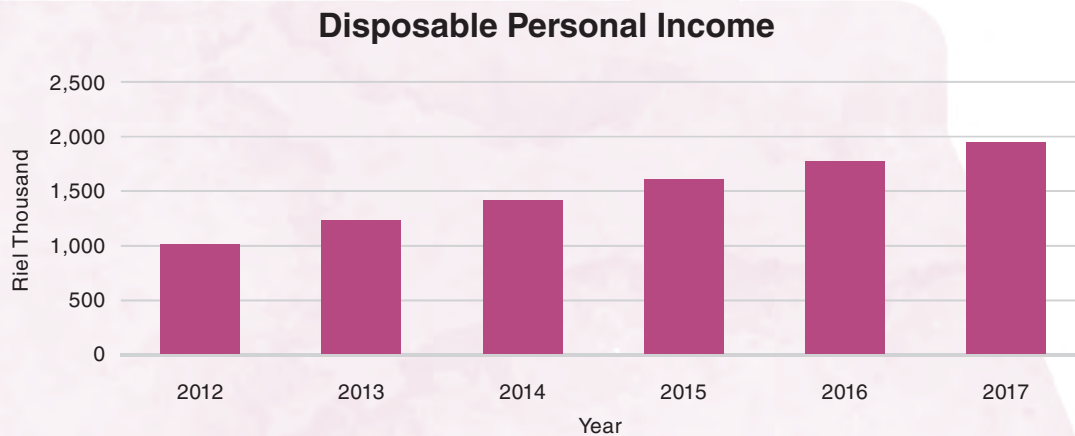
## Private Consumption



Source: Trading Economics

The Private Consumption in Cambodia risen from Riel28,707.8 million in 2012 to Riel37,562.2 million in 2017, a steady CAGR of 4.58% is recorded over the six-year period. The rise in labour income leads to increase in consumer spending and boosts the economy. The number of Cambodian middle class has been rising and with greater spending power.

## Disposable Income



Source: Trading Economics

With an increase in wages, the disposable personal income of Cambodia also increased, from Riel1,014,000 in 2012 to Riel1,947,000 in 2017 at a CAGR of 11%.

# General Overview of the Country of Cambodia

## OUTLOOK

For business runs in Cambodia, it will face corruption issue as other South East Asian countries. Although EU wants to push Cambodia improve her human right and democracy through trade restriction, it is expected CPP will continue to rule Cambodia in its own way in the near future. The domination of CPP creates a relative stable political environment for businesses.

Despite the US-China trade war, Cambodia will continue benefit from the Belt and Road Initiatives. The increasing FDI and steady growth of real GDP at around 7% indicated large amount of Chinese investment would grow the economy, and the improved developments are likely to attract more foreign investments. Moreover, such infrastructure investments benefit the logistic arrangement of businesses. Other than export, the growth in private consumption and disposable income demonstrates the potential of local market. The local consumption and affordability on good and services are expected to grow in the future.

The significant low unemployment rate creates pressure on employing local labour, which is reflected by the increasing minimum wage. Nevertheless, over 90% of Cambodians is under age 55 and the rising literacy rate will increase supply of skilled labour in the future, which will possibly improve labour efficiency.

The trade deficit kept increasing in recent years, which creates pressure on depreciation of local currency. However, the National Bank of Cambodia has managed its exchange rate very well in recent years. Unwavering exchange rate reduce the foreign exchange rate risk to foreign investment.

In conclusion, there are risks and opportunities for operating businesses in Cambodia. In spite of general issues that are found in other South East Asia countries like corruption and increasing wages, the economy of Cambodia is expected to grow steadily which creates opportunities in the local market. In addition, improved infrastructures and stable foreign exchange rate will continue to attract foreign companies to set up their business there.



# Biographies of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Ma Hing Man (馬慶文)**, aged 61, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our chairman (the “**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 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 30 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 55, 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 30 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 64, 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 30 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 67, 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 30 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 71, 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 30 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 65, 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 39 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 INED of Sparkle Roll Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 970) since October 2007. He was an independent non-executive director of China Brilliant Global Limited (formerly known as "Prosten Health Holdings Ltd."), a company listed on GEM of the Stock Exchange (stock code: 8026) from June 2015 to February 2018. 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 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 63, 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 executive director CF Energy Corp. (formerly known as “Chengfeng Energy Inc.”) (stock code: CFY), a company listed on the Toronto Venture Exchange (TSXV) since 22 February 2019 and 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 China Infrastructure & Logistics Group Ltd. (formerly known as “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 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 58, was appointed as our INED (楊志偉) on 2 January 2018. He is mainly responsibly of supervising and providing independent advice to our Board.

Mr. Yeung has over 29 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, the PRC, 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 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 (the “**Senior Management**”) consists of four members, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Company.

**Mr. Yeung Lee Fai (楊利輝)**, aged 36, was appointed as the Group chief financial officer and company secretary of the Company (the “**Company Secretary**”) on 1 August 2018. Mr. Yeung is primarily responsible for the financial and accounting management, corporate governance and compliance affairs of the Group.

Mr. Yeung has over 13 years of experience in auditing, accounting, finance and business advisory work. Before joining the Group, Mr. Yeung had worked in Ernst and Young, an international accounting firm, from September 2005 to July 2011 and PricewaterhouseCoopers, an international accounting firm, from July 2011 to July 2018.

Mr. Yeung obtained his bachelor’s degree in business administration in accounting from the City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants.

**Mr. Lee Chi Wing (李志榮)**, aged 51, 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 24 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 48, 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 14 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 37, 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 10 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.

### COMPANY SECRETARY

**Mr. Yeung Lee Fai (楊利輝)** was appointed as the Company Secretary on 1 August 2018. For details of his background, see the paragraph headed “Senior Management” in this section.

# Directors' Report

The Directors are pleased to present their report together with 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 16 to the Consolidated Financial Statements.

An analysis of the Group's geographical segment information 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 10 to 15 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 70 of this annual report.

The Board has resolved to recommend the payment of a final dividend of HK4.0 cents per ordinary Share (Year 2018: HK1.0 cent per ordinary Share), amounting to an aggregate of approximately HK\$16,345,000 for this Year (Year 2018: HK\$4,086,000) (the "**Proposed Final Dividend**") to the Shareholders whose names will appear on the register of members of the Company (the "**Register of Members**") on Monday, 14 October 2019.

The Proposed Final Dividend is subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**2019 AGM**"). It is expected that the Proposed Final Dividend would be paid to the Shareholders on Tuesday, 29 October 2019.

## ANNUAL GENERAL MEETING

The 2019 AGM is scheduled to be held on Monday, 9 September 2019. A notice convening the 2019 AGM will be issued and sent to the Shareholders in July 2019.

## CLOSURE OF REGISTER OF MEMBERS

### 2019 AGM

The Register of Members will be closed from Wednesday, 4 September 2019 to Monday, 9 September 2019, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2019 AGM to be held on Monday, 9 September 2019, 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, 3 September 2019.

# Directors' Report

## Proposed Final Dividend

Conditional on the passing of the resolution approving the Proposed Final Dividend by the Shareholders at the 2019 AGM, the Register of Members will be closed for determining the Shareholders' entitlement to the Proposed Final Dividend from Thursday, 10 October 2019 to Monday, 14 October 2019, 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, 9 October 2019.

## 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.

Up to the date of this report, the amount of the Net Proceeds which has remained unutilised amounted to approximately HK\$36.6 million.

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

		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
<b>Expansion of our production facilities in Cambodia</b>	<b>45%</b>	<b>38.5</b>	<b>19.3</b>	<b>19.2</b>
Leasing land and construction of production plant	25%	21.4	12.2	9.2
Fitting out works	5%	4.3	2.1	2.2
Purchasing production equipment	15%	12.8	5.0	7.8
<b>Establishing a product development team in Cambodia</b>	<b>15%</b>	<b>12.8</b>	<b>4.8</b>	<b>8.0</b>
<b>Upgrading existing software and hardware</b>	<b>10%</b>	<b>8.5</b>	<b>5.0</b>	<b>3.5</b>
<b>Refurbishment of the existing facilities</b>	<b>10%</b>	<b>8.5</b>	<b>4.2</b>	<b>4.3</b>
<b>Installing showrooms in Dongguan and Cambodia</b>	<b>10%</b>	<b>8.5</b>	<b>6.9</b>	<b>1.6</b>
<b>General working capital</b>	<b>10%</b>	<b>8.5</b>	<b>8.5</b>	<b>—</b>
	100%	85.3	48.7	36.6

# Directors' Report

In particular,

- (i) regarding the expansion of our production facilities in Cambodia, approximately HK\$19.3 million has been used for constructing the production plant, fitting out works and purchasing production equipment to leverage the relatively low labour costs in Cambodia and lower overall production cost as planned;
- (ii) regarding establishing a product development team in Cambodia, approximately HK\$4.8 million has been used for recruiting and training experienced workers in Cambodia to pick up on the skill required for product development as planned;
- (iii) regarding upgrading existing software and hardware, approximately HK\$5.0 million has been used for enhancing our information technology infrastructure as planned;
- (iv) regarding refurbishment of the existing facilities, approximately HK\$4.2 million has been used for refurbishment of the existing showroom, workshop and ancillary office as planned; and
- (v) regarding installing showrooms in Dongguan and Cambodia, approximately HK\$6.9 million has been used for installing showrooms in our production bases in Dongguan and Cambodia as planned.

As at 31 March 2019, the unutilised Net Proceeds was deposited in short-term demand deposits with a licensed bank in Hong Kong.

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

## DONATIONS

Charitable and other donations made by the Group during this Year amounted to HK\$412,000 (Year 2018: HK\$1,436,000).

## SHARE CAPITAL

Details of the Shares issued are set out in Note 21 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 74 of this annual report.

As at 31 March 2019, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$222.8 million (Year 2018: HK\$210.2 million).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 134 of this annual report.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2019 are set out in Note 24 to the Consolidated Financial Statements.

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

During this Year, the Company did not redeem any of 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. 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 total number 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 the total number of our Shares in issue as at the date of the aforesaid Shareholders' approval.
- (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 total number of our 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 the 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.

# Directors' Report

- (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; and (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*)  
Mr. Ma Hing Ming (*Chief Executive Officer*)  
Ms. Ma Lan Chu  
Mr. Ma Yum Chee  
Ms. Ma Lan Heung

### Independent Non-executive Directors (the "INEDs")

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



## Directors' Report

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 conclusion of 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, Ms. Ma Lan Heung and Mr. Wong will retire at the 2019 AGM and all of them, being eligible, will offer themselves for re-election at the 2019 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 29 to 33 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' 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' Report

## **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 29 to the Consolidated Financial Statements. The related party transactions disclosed in Note 29 were not regarded as connected transactions or were exempt from reporting, announcement and Shareholders' approval requirements under the Listing Rules.

## 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 2019, 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 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	300,500,000	73.54%
Mr. Ma Hing Ming	Interest in a controlled corporation, interest held jointly with other persons	300,500,000	73.54%
Ms. Ma Lan Chu	Interest in a controlled corporation, interest held jointly with other persons	300,500,000	73.54%
Mr. Ma Yum Chee	Interest in a controlled corporation, interest held jointly with other persons	300,500,000	73.54%
Ms. Ma Lan Heung	Interest in a controlled corporation, interest held jointly with other persons	300,500,000	73.54%

# 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 underlying Shares interested divided by the number of issued Shares of 408,626,000 as at 31 March 2019.

## (ii) Interest in Associated Corporation

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

# Directors' Report

## 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, 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 2019, 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 2019, 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 Shareholders	Capacity/Nature of interest	Numbers of Shares interested or held	Approximate percentage of the Company's issued Shares*
Wah Sun Holdings ( <i>Notes 1 and 2</i> )	Beneficial owner	300,500,000	73.54%
Ms. Chan Sim Kuen ( <i>Note 3</i> )	Interest of a spouse	300,500,000	73.54%
Ms. Wu Yu Ling ( <i>Note 4</i> )	Interest of a spouse	300,500,000	73.54%
Ms. Yung Ngan Sim ( <i>Note 5</i> )	Interest of a spouse	300,500,000	73.54%

# Directors' Report

## Notes:

1. Wah Sun Holdings is a direct Shareholder.
2. 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.
3. 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.
4. 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.
5. 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 31 March 2019.

Save as disclosed above, as at 31 March 2019, 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	14.7%
– five largest suppliers in aggregate	43.8%

### *Sales*

– the largest customer	24.1%
– five largest customers in aggregate	76.2%

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.

## 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.

## 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 is 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

## DEED OF NON-COMPETITION

Each of Wah Sun Holdings, Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung (the “**Covenantors**”, each a “**Covenantor**”) has entered into a deed of non-competition (“**Deed of Non-competition**”) dated 2 January 2018 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

The Company has received the annual confirmation from each of the Covenantors in respect of (i) their compliance with the non-competition undertakings under the Deed of Non-competition during this Year; and (ii) their undertaking to continue making annual declarations as to compliance with the terms of the Deed of Non-competition.

Upon receiving the annual confirmation from Covenantors for confirming that he/she has duly complied with the non-competition covenants and undertakings under the Deed of Non-competition (“**Undertakings**”), the INEDs had reviewed the same as part of the annual review process. In determining whether the Covenantors had fully complied with the Undertakings for this Year, the INEDs note that (i) the Covenantors declared that they had fully complied with the Undertakings for this Year; (ii) no new competing business was reported by the Covenantors; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the INEDs confirmed that all of the Undertakings were complied with by the Covenantors for this Year.

## EVENTS AFTER THE END OF THIS YEAR

Save as recoverable amount of approximately HK\$1.1 million has been received in cash in May 2019 from the Previous Customer (out of an expected total of around HK\$1.3 million), there have been no other material events occurring after the reporting period and up to the date of this annual report.

## DIVIDEND POLICY

The Board may declare dividends in the future after taking into account the Group's operations and earnings, capital requirement and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholder's interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Island (“**Companies Law**”), including the approval of the Shareholders. Future declarations of dividends may or may not be reflected from the Company's historical declarations of dividends and will be at the absolute discretion of the Board.

## 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 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 this Year and period thereafter up to the date of this annual report (the “**Period**”). The Model Code also applies to other specified senior management of the Group in respect of their dealings in the Company’s securities.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 5,060 employees (31 March 2018: 4,913). For this Year, the Group incurred employee benefit expense, including Directors’ remuneration of approximately HK\$161.1 million (Year 2018: approximately HK\$157.0 million).

The Company has adopted the Share Option Scheme 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 five individuals and the Directors 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 49 to 63 of this annual 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.

## 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.



# Directors' Report

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, as well as the audited Consolidated Financial Statements. The Audit Committee 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 the 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, 26 June 2019



# Corporate Governance Report

The Group are 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**

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 if and when considered appropriate. 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.

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 and not aware of any unfavourably reported incidents, 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 Period.

During this Year, the Chairman, being an executive Director, has 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 is summarised as follows:

<b>Name of Directors</b>	<b>Type of trainings</b>
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

## Board Process and Meetings

The Board meets regularly to determine overall strategies, receive management updates, approve business plans as well as financial results and to consider other significant matters. Management also provides updates to the Board with respect to the business activities and development of the Group on a regular basis.

Each Director ensures that he/she can give sufficient time and attention to the affairs of the Company and contribute to the Group's development through their constructive and informed comments. All of the members of the Board have also disclosed and updated their number and nature of offices held and time involved in handling the matters of the Company on a regular basis.

## Board and Committees' Meetings' Attendance Records

During this Year, the Board held four regular meetings and one other additional meeting. The regular Board meetings are scheduled one year in advance to facilitate maximum attendance by the Directors. Other additional Board meetings are convened as and when required.

The attendance records of the Directors at Board meetings, Board committee meetings and the AGM held on 10 September 2018 (the "2018 AGM") during this Year are as follows:

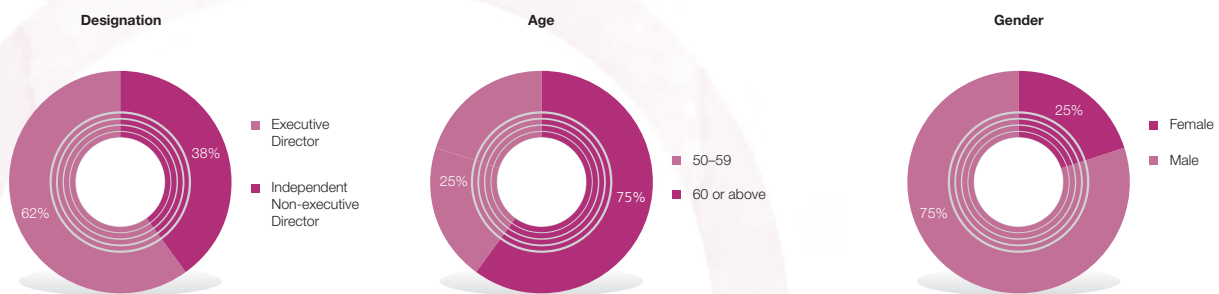
	Board Meetings		Board Committee Meetings			Risk	2018 AGM
	Regular	Others	Audit Committee	Remuneration Committee	Nomination Committee	Management Committee	
<b>Executive Directors:</b>							
Mr. Ma Hing Man (Chairman)	4/4	1/1	N/A	1/1	1/1	N/A	√
Mr. Ma Hing Ming (Chief Executive Officer)	4/4	1/1	N/A	1/1	1/1	N/A	√
Ms. Ma Lan Chu	4/4	1/1	N/A	N/A	N/A	N/A	√
Mr. Ma Yum Chee	3/4	1/1	N/A	N/A	N/A	N/A	√
Ms. Ma Lan Heung	4/4	1/1	N/A	N/A	N/A	N/A	√
<b>Independent non-executive Directors:</b>							
Mr. Lam	4/4	1/1	2/2	1/1	1/1	1/1	√
Mr. Wong	4/4	1/1	2/2	1/1	1/1	1/1	√
Mr. Yeung	4/4	1/1	2/2	1/1	1/1	1/1	√

The Board held a meeting on 26 June 2019 and, amongst other matters, approved the Consolidated Financial Statements.

# Corporate Governance Report

## Board Diversity Policy

The composition of the Board is well balanced with each Director having skills, experience and expertise complementing the business operations and development of the Group and from a variety of backgrounds. There is diversity of education, professional background, functional expertise, gender, age, culture and industrial experience.



A Board diversity policy of the Company was adopted by the Board (the “**Board Diversity Policy**”) and sets out the approach to achieve diversity on the Board and the factors (including but not limited to skills, regional and industry experience, professional experience, background, education, race, gender, age, culture and other qualities, etc.) to be considered in determining the composition of the Board so as to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximize the Board’s effectiveness.

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 as stipulated in the Board Diversity Policy.

## Dividend Policy

The Company has adopted a dividend policy which allows the Shareholders to share the distributable profits of the Company whilst retaining adequate reserves for the Group’s future growth. The declaration and amount of dividends shall be determined at the sole discretion of the Board. Pursuant to the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- (a) the Company’s actual and expected financial performance;
- (b) dividends received from the Company’s subsidiaries and associates;
- (c) retained earnings and distributable reserves of the Company and its subsidiaries and associates;
- (d) the liquidity position of the Group;
- (e) the Group’s expected working capital requirements;

# Corporate Governance Report

- (f) general business conditions and strategies;
- (g) taxation considerations;
- (h) possible effects on creditworthiness;
- (i) legal, statutory and regulatory restrictions;
- (j) contractual restrictions; and
- (k) any other factors that the Board deems appropriate.

Subject to the Companies Law and other applicable laws and regulations, the Board currently targets to distribute to the Shareholders no less than 35% of our distributable profits for any particular financial year. The Board cannot assure the Shareholders that the Board will be able to distribute dividend of the above amount or any amount or at all, in any particular financial year. The declaration and payment of dividend may also be limited by legal restrictions, loans or other agreements that the Company have entered into or may enter into in future.

## 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, 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.

### 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 (the “Terms of Reference”) 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.

As the amended code provision C.3.2 was effective from 1 January 2019, the Company has adopted the change to the Terms of Reference to the effect that the cooling-off period for former partners of the Company’s external auditor before they can be members of the Audit Committee has been extended from the previously 1-year period to a 2-year period.



# Corporate Governance Report

During this Year, the Audit Committee performed the following duties:

- reviewed the Group's annual report and interim report
- discussed the audit issues with the external auditor
- reviewed the annual internal audit plan
- made recommendation of the appointment of the external auditor
- assessed the independence of the external auditor
- reviewed and discussed the internal audit reports and risk management findings with Management

The Audit committee held two meetings during this Year and a meeting on 26 June 2019 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.

## **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 this year, the Nomination Committee performed the following duties:

- assessed the independence of the INEDs
- made recommendations on the re-election of the retiring Directors to the Board
- reviewed the background and suitability of a proposed INED
- evaluated the structure and composition of the Board
- reviewed the Company's Board Diversity Policy
- reviewed the term of reference of the Nomination Committee

The Nomination Committee held one meeting during this Year and a meeting on 26 June 2019 and, among 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 2019 AGM.



# Corporate Governance Report

## Nomination Policy

The Board has adopted a nomination policy in January 2018. Such policy sets out the criteria and procedures of considering candidates to be appointed or re-appointed as Directors. When the Board recognises the need to appoint a Director, the Nomination Committee may identify or select candidates recommended to the Nomination Committee, with or without assistance from external agencies. The Nomination Committee may then use any process that it considers appropriate in connection with its evaluation of a candidate, including but not limited to personal interviews and background checks. The Nomination Committee will have regard to the following factors when considering a candidate including but without limitation:

- skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
- effect on the Board's composition and diversity; and
- independence of the candidate.

## 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.

Our remuneration policy prohibited our Directors from determining his or her own remuneration. Each Director's remuneration package has been considered and/or reviewed periodically with respect to his or her individual performance, responsibilities, financial performance of the Group, market practice and other applicable factors.

The Remuneration Committee held one meeting during this Year and a meeting on 26 June 2019 and, amongst other matters, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and Senior Management.

No Director participated in any discussion about his own remuneration in the meetings regarding the review of remuneration.

## 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.



# Corporate Governance Report

During this Year, the Risk Management Committee performed the following duties:

- assessed the Company's risk management and internal control system
- reviewed the Company's exposure to sanctions law risks and implementation of related internal control policies and procedures adopted by the Company
- reviewed the training and continuous professional development of the Directors and Senior Management
- reviewed the utilisation of the Net Proceeds from the Listing
- reviewed the list of sanctioned countries maintained by the Company
- assessed the Company's internal control policies and procedures with respect to sanctions law matters

The Risk Management Committee held one meeting during the Year and a meeting on 26 June 2019 and, amongst other matters, considered certain risk management matters.

## 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 conclusion of 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 conclusion of 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 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:

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

# Corporate Governance Report

## INDEPENDENT AUDITOR'S REMUNERATION

PricewaterhouseCoopers was engaged as the Group's Independent Auditor for this Year.

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

	<b>Fee paid/payable (in HK\$'000)</b>
Audit service — Annual audit	<b>1,550</b>
Review of interim results	<b>300</b>
	<b>1,850</b>

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements, which give a true and fair view of the Group's state of affairs, results and cash flow for this Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements as well as accounting and financial reporting standards. The Directors were not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as a going concern.

In addition, the statement by the Independent Auditor regarding its responsibilities on the Consolidated Financial Statements is set out in the Independent Auditor's Report on pages 64 to 69 of this annual report.

The financial information and plans were discussed in the Board meetings. The Chairman and the CEO are responsible for explaining the latest business development and financial projections to the Directors.

## 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.

The Audit Committee reviews the internal controls and risk management that are significant to the Group on an on-going basis. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, as well as their training programmes and budgets.

# Corporate Governance Report

## (a) the process used to identify, evaluate and manage significant risks

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

### *Risk Identification*

- Identifies risks that may potentially affect the Group's business and operations.

### *Risk Assessment*

- Assesses the risks identified by using the assessment criteria developed by Management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

### *Risk Response*

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

### *Risk Monitoring and Reporting*

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to Management and the Board regularly.

## (b) the main features of the risk management and internal control systems

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

## (c) an acknowledgement by the Board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.



# Corporate Governance Report

## (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness.

The Board has engaged an independent internal control adviser (the "IC Adviser") to conduct the annual review of the procedure, system and control (including accounting and management systems) of the Group for this Year. Such review is conducted annually and cycles reviews are under rotation basis. The scope of review was determined and approved by the Board. The IC Adviser has reported findings and areas for improvement to the Audit Committee and Management. The Board/Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the IC Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considers that the risk management and internal control systems are effective and adequate.

## (e) the procedures and internal controls for the handling and dissemination of inside information

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

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 this Year. The Board considers that the Group's risk management and internal control systems are adequate and effective.

## 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;

# Corporate Governance Report

- 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 Company Secretary are authorised to communicate with parties outside the Group.

## COMPANY SECRETARY

The Company has appointed Mr. Yeung Lee Fai as the chief financial officer and the Company Secretary since 1 August 2018. He is a full time employee of the Company and has adequate working knowledge on the Company to discharge his duty as the Company Secretary.

Mr. Yeung Lee Fai reports to Mr. Ma Hing Man, the Chairman and an executive Director, and Mr. Ma Hing Ming, the CEO and an executive Director, and responsible for advisory the Board on corporate governance matters. All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval at its meeting.

Mr. Yeung Lee Fai attended not less than 15 hours of relevant continuous professional development training during this Year.

## 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 Company Secretary 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 [patrick.yeung@wahsun.com.hk](mailto:patrick.yeung@wahsun.com.hk) for the attention of the Board or the Company Secretary.



# Corporate Governance Report

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 Company Secretary 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 Company Secretary 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 or the Company Secretary 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 or the Company Secretary 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 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.

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 [patrick.yeung@wahsun.com.hk](mailto:patrick.yeung@wahsun.com.hk), for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary 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.

## 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 other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

## CONSTITUTIONAL DOCUMENTS

The Company did not make any changes to its constitutional documents during this Year.

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its amended and restated memorandum and Articles of Association 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 70 to 133, which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- 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 2019, 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.

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*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. We considered "Impairment of trade receivables" as a key audit matter that was 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 this matter.

### 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 19 to the consolidated financial statements.

As at 31 March 2019, the Group has trade receivables of HK\$142,414,000 (2018: HK\$126,566,000), representing 29% of the Group's total assets (2018: 30%).

As at 31 March 2019, the Group's provision for impairment of trade receivables was approximately HK\$7,422,000 (2018: HK\$1,565,000).

Upon adoption of HKFRS 9 "Financial Instruments" from 1 April 2018, management assessed impairment using the "expected credit loss" ("ECL") model.

The ECL model involved management's estimate of the lifetime expected credit loss to be incurred, which is estimated by taking into account various factors, including the credit loss experience, ageing of overdue receivables, customers' repayment history and the ability of the customers in fulfilling their repayment obligations, as well as the current condition and forward-looking information. Such estimation involved a significant degree of management judgement.

We focused on this area due to the use of significant judgement and estimates by management on the assessment of the provision for impairment 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 estimation of expected credit losses 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
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- Assessed management's assessment of current condition and forward-looking information with reference to our industry knowledge, market information including macroeconomic factors;
- Obtained a list of all outstanding trade 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;
- 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, identified any history of default, reviewed correspondence of the Group with the customers with respect to the collection of the outstanding amounts and assessed the probability that the customers would enter into bankruptcy or financial difficulties and the available assets of the customers with reference to publicly available information.

Based on the procedures performed, we found the management's impairment assessment of trade receivables to be supported by the available supporting evidence.



# Independent Auditor's Report

## **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises 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 identified above 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 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, 26 June 2019

# Consolidated Income Statement

	Notes	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue	6	759,455	697,492
Cost of sales	7	(625,342)	(545,228)
<b>Gross profit</b>		<b>134,113</b>	152,264
Other income	6	8	57
Other gains, net	6	8,109	2,920
Selling and distribution expenses	7	(39,475)	(33,145)
Administrative expenses	7	(48,715)	(63,954)
Provision for impairment of trade receivables	19	(5,282)	—
<b>Operating profit</b>		<b>48,758</b>	58,142
Finance income	9	811	122
Finance costs	9	(4,576)	(2,399)
Finance costs, net		(3,765)	(2,277)
<b>Profit before income tax</b>		<b>44,993</b>	55,865
Income tax expenses	10	(4,323)	(10,287)
<b>Profit for the year attributable to owners of the Company</b>		<b>40,670</b>	45,578
		<b>HK cents</b>	HK cents
<b>Basic and diluted earnings per share for profit attributable to owners of the Company</b>	12	<b>10.0</b>	14.2

The notes on pages 76 to 133 are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
<b>Profit for the year attributable to owners of the Company</b>	<b>40,670</b>	45,578
<b>Other comprehensive (loss)/income:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
— Currency translation differences	(825)	1,095
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>39,845</b>	46,673

The notes on pages 76 to 133 are an integral part of these consolidated financial statements.



# Consolidated Statement of Financial Position

		As at 31 March	
	Notes	2019 HK\$'000	2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	13	306	350
Property, plant and equipment	14	57,636	45,666
Financial asset at fair value through profit or loss	15	1,214	—
Deferred income tax assets	25	744	—
Deposits paid for plant and equipment	19	—	1,213
		<b>59,900</b>	47,229
<b>Current assets</b>			
Inventories	18	163,054	104,278
Trade receivables	19	134,992	125,001
Prepayments, deposits and other receivables	19	9,460	13,572
Current income tax recoverable		4,440	1,127
Pledged bank deposits	20	22,528	22,360
Cash and cash equivalents	20	92,668	108,900
		<b>427,142</b>	375,238
<b>Total assets</b>		<b>487,042</b>	422,467
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	21	4,086	4,086
Share premium	21	109,611	109,611
Exchange reserve		2,534	3,359
Capital reserve	22	21,656	21,656
Retained earnings		105,887	69,878
<b>Total equity</b>		<b>243,774</b>	208,590

# Consolidated Statement of Financial Position

	Notes	As at 31 March	
		2019 HK\$'000	2018 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	25	705	752
<b>Current liabilities</b>			
Trade and bills payables	23	200,886	166,030
Accruals and other payables	23	20,278	24,268
Current income tax liabilities		4,096	2,675
Borrowings	24	17,303	20,152
		<b>242,563</b>	213,125
<b>Total liabilities</b>		<b>243,268</b>	213,877
<b>Total equity and liabilities</b>		<b>487,042</b>	422,467

The consolidated financial statements on page 70 to 133 were approved by the Board of Directors on 26 June 2019 and were signed on its behalf.

**Mr. Ma Hing Man**  
Director

**Mr. Ma Hing Ming**  
Director

The notes on pages 76 to 133 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

	Share capital HK\$'000 (Note 21)	Share premium HK\$'000 (Note 21)	Exchange reserve HK\$'000	Capital reserve HK\$'000 (Note 22)	Retained earnings HK\$'000	Total HK\$'000
<b>As at 1 April 2017</b>	—	—	2,264	21,656	44,300	68,220
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	45,578	45,578
<b>Other comprehensive income</b>						
Currency translation difference	—	—	1,095	—	—	1,095
<b>Total comprehensive income</b>	—	—	1,095	—	45,578	46,673
<b>Transactions with owners</b>						
Issue of shares by Capitalisation Issue (Note 21(d))	3,000	(3,000)	—	—	—	—
Issue of shares pursuant to public offering (Note 21(e) and (f))	1,086	127,093	—	—	—	128,179
Listing expenses related to the issue of new shares (Note 21(g))	—	(14,482)	—	—	—	(14,482)
Dividend paid (Note 11)	—	—	—	—	(20,000)	(20,000)
<b>Total transactions with owners</b>	4,086	109,611	—	—	(20,000)	93,697
<b>As at 31 March 2018</b>	4,086	109,611	3,359	21,656	69,878	208,590
<b>As at 1 April 2018</b>	<b>4,086</b>	<b>109,611</b>	<b>3,359</b>	<b>21,656</b>	<b>69,878</b>	<b>208,590</b>
Changes in accounting policies (Note 2.2)	—	—	—	—	(575)	(575)
<b>Restated total equity as at 1 April 2018</b>	<b>4,086</b>	<b>109,611</b>	<b>3,359</b>	<b>21,656</b>	<b>69,303</b>	<b>208,015</b>
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	40,670	40,670
<b>Other comprehensive loss</b>						
Currency translation difference	—	—	(825)	—	—	(825)
<b>Total comprehensive (loss)/income</b>	—	—	(825)	—	40,670	39,845
<b>Transactions with owners</b>						
2017/2018 final dividend (Note 11)	—	—	—	—	(4,086)	(4,086)
<b>As at 31 March 2019</b>	<b>4,086</b>	<b>109,611</b>	<b>2,534</b>	<b>21,656</b>	<b>105,887</b>	<b>243,774</b>

The notes on pages 76 to 133 are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

	Notes	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	27	22,222	38,869
Income tax paid		(7,018)	(12,002)
<b>Net cash generated from operating activities</b>		<b>15,204</b>	26,867
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(18,869)	(11,784)
Proceeds from disposal of property, plant and equipment	27	—	10
Increase in pledged bank deposits		(168)	(2,109)
Advances to directors		—	(57,075)
Advances from related parties		—	6,653
Investment in a key management insurance contract		(1,439)	—
Interest received		811	122
<b>Net cash used in investing activities</b>		<b>(19,665)</b>	(64,183)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		—	128,179
Transaction costs attributable to issuance of ordinary shares		—	(14,482)
Proceeds from borrowings		18,224	—
Repayment of borrowings		(20,977)	(15,243)
Repayment of finance lease obligations		(96)	(237)
Advances from a director		—	18,866
Interest paid		(4,576)	(2,399)
Dividends paid		(3,959)	(20,000)
<b>Net cash (used in)/generated from financing activities</b>		<b>(11,384)</b>	94,684
Net (decrease)/increase in cash and cash equivalents		<b>(15,845)</b>	57,368
Cash and cash equivalents at beginning of the year		<b>108,900</b>	51,365
Currency translation difference		<b>(387)</b>	167
<b>Cash and cash equivalents at end of the year</b>		<b>92,668</b>	108,900

The notes on pages 76 to 133 are an integral part of these consolidated financial statements.



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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss measured at fair value.

The preparation of 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 of the Group 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 standards, amendments to standards and interpretation to existing standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transaction
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
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

The impact of the adoption of HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) are disclosed in Note 2.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, the other standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

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

The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle	1 April 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 April 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 April 2019
Amendments to HKAS 28	Long-term interests in associates or joint ventures	1 April 2019
HKFRS 16	Leases	1 April 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 April 2019
Amendments to HKFRS 3 (Revised)	Definition of a business	1 April 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

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

##### **HKFRS 16, “Leases”**

##### *Nature of change*

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position by lessees as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

##### *Impact*

Based on management’s initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in an increase in both assets and liabilities in the consolidated statement of financial position. The adoption will also front-load the expense recognition in the consolidated income statement over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expenses under existing standard.

As at 31 March 2019, 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\$9,384,000 as set out in Note 26(b) to the consolidated financial statements. The Group’s operating leases with original lease terms of over 1 year will be recognised as right-of-use assets and corresponding lease liabilities unless they are exempted from the reporting obligations as described above upon the initial application of HKFRS16.

The overall impact on profit before income tax will not be affected significantly, except interest expense on lease liability will be included in “finance costs”, which are currently a part of rental expenses recognised. The payment for lease liability will be mostly reflected in financing cash flow, with the interest portion recognised as interests paid.

##### *Date of adoption by the Group*

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leases will be measured at the amount of the lease liability on adoption.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

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

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.

### 2.2. 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 consolidated financial statements.

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.

#### (a) *HKFRS 9 Financial Instruments*

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
<b>Opening retained earnings — HKAS 39</b>	69,878
Adjustment to retained earnings from adoption of HKFRS 9 (Note 3.1(b)(ii))	(575)
<b>Opening retained earnings — HKFRS 9</b>	69,303

#### (i) *Recognition, classification, measurement and derecognition*

Other than financial assets carried at fair value through profit or loss, financial assets and liabilities of the Group are carried at amortised cost. There are no material changes regarding recognition, classification, measurement and derecognition.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2. Changes in accounting policies (Continued)

#### (a) HKFRS 9 Financial Instruments (Continued)

##### (ii) Impairment of financial assets

The Group's trade receivables are subject to HKFRS 9's new expected credit loss model. While cash and cash equivalents, pledged bank deposits, financial assets at fair value through profit or loss, deposits and other receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The adoption of the simplified expected loss approach under HKFRS 9 has resulted in additional impairment loss for trade receivables as at 1 April 2018 as listed above.

Provision for impairment of trade receivables was separately presented within operating profit from 1 April 2018. This item was previously included in "administrative expense" in prior years.

#### (b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 18 Revenue, which resulted in changes in accounting policies that relate to timing of revenue recognition and presentation of contract liabilities.

The adoption of HKFRS 15 does not have a significant impact when the Group recognises revenue from sales of goods.

As a result of the changes in the Group's accounting policies, certain reclassifications are 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 table shows the adjustment recognised for individual line item. Line items that were not affected by the changes have not been included.

The impact of the reclassifications 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 31 March 2019, receipts in advance, i.e. the contract liabilities, were included in accruals and other payables.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries

#### 2.3.1 Consolidation

Subsidiaries are entities (including a 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.

#### *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Subsidiaries (Continued)

#### 2.3.2 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving dividends 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 financial statements of the investee's net assets including goodwill.

### 2.4 Segment reporting

Operating segments are 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 segments, has been identified as the executive directors collectively, who make strategic decisions.

### 2.5 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 group entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and other gains/(losses) — net".

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in income statement, and other changes in carrying amount are recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Foreign currency translation (Continued)

#### (b) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income, are included in other comprehensive income.

#### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary 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 exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. 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 item 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)

### 2.6 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 (less estimated residual values, if any) over their estimated useful lives at the annual rates, 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' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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.

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

### 2.7 Impairment of non-financial assets

Assets that are subject to amortisation 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 other than goodwill that suffered an 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)

### 2.8 Financial assets

#### 2.8.1 Accounting policies applied from 1 April 2018

##### (i) *Classification*

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 income statement or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### (ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (iii) *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 the consolidated statement of comprehensive income.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (Continued)

#### 2.8.1 Accounting policies applied from 1 April 2018 (Continued)

##### (iii) 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 two 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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within "other income and gains – net" in the period in which it arises. Interest income from these financial assets is included in the "finance income".

##### (iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and financial assets at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (Continued)

#### 2.8.2 Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies.

(i) *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.

(ii) *Recognition and measurement*

Regular way of 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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.





# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Financial assets (Continued)

#### 2.8.2 Accounting policies applied until 31 March 2018 (Continued)

##### (iii) Impairment

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.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 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 Group or the counterparty.

### 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 applicable variable selling expenses.

### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed 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.

### 2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

### 2.13 Pledged bank deposits

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



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Share capital

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

When any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued.

### 2.15 Trade, bills and other payables

Trade, bills and other 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.

### 2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 consolidated statement of financial position.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company's 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.

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 financial statements. However, 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 consolidated statement of financial position 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Current and deferred income tax (Continued)

Deferred income tax is provided on taxable temporary differences arising on 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 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.

### 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 consolidated statement of financial position date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (b) Pension obligations

The Group participates in defined contribution plans in the countries where they operates. 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) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 has been 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.

### 2.21 Revenue and income recognition

#### 2.21.1 Accounting policies applied from 1 April 2018

##### *Sales of goods*

The Group is principally engaged in manufacturing and trading of 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.

A contract liability (applicable from 1 April 2018) is recognised when a customer pays consideration before the Group recognises the related revenue. The Group recognised its down payments from customers under other payables and accruals as receipt in advance from customers (applicable until 31 March 2018) in the consolidated statement of financial position.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Revenue and income recognition (Continued)

#### 2.21.2 Accounting policies applied until 31 March 2018

##### *Sales of goods*

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.

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.

### 2.22 Interest income

Interest income on financial assets at amortised cost calculated using effective interest method is recognised in consolidated income statement. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

### 2.23 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.

### 2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company'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 2019, 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 2019 would decrease/increase by HK\$511,000 (2018: HK\$186,000), 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 2019, the Group recorded other comprehensive loss of currency translation differences of HK\$825,000 (2018: other comprehensive income of HK\$1,095,000). Foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are insignificant.





# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (ii) Cash flow and fair value interest rate risk

The Group is exposed to both cash flow 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 2019, 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\$377,000 higher/lower (2018: HK\$444,000), mainly as a result of higher/lower net interest income on floating rate bank deposits and borrowings.

#### (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. 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 2019, the Group had a concentration of credit risk given that the top 5 customers accounted for 87% (2018: 84%) of the Group's total year end trade receivable balance. The 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 are made for irrecoverable amount.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (i) Concentration risk

The Group has put in place policies to ensure that sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. With regard to the ageing analysis and relevant credit risk of trade and other receivables, please refer to Note 3.1(b)(ii).

The table below shows the gross trade receivable balances of the five major customers aggregated on a global basis at the reporting date.

	2019 HK\$'000
<b>Counterparties</b>	
Customer A	67,840
Customer E	20,689
Customer B	13,217
Customer D	8,060
Customer C	2,136
	<b>111,942</b>
	2018 HK\$'000
<b>Counterparties</b>	
Customer A	56,133
Customer B	22,945
Customer D	10,985
Customer C	9,010
Customer E	6,129
	<b>105,202</b>

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets

###### Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and trade receivables by due date.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 March 2018 or 1 April 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified the inflation rate of the countries in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 March 2019, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

The closing loss allowances for trade receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

	<b>Loss allowance for trade receivables</b> HK\$'000
<b>At beginning of the year</b>	1,565
Opening loss allowance as at 1 April 2018 — calculated under HKFRS 9	575
Increase in loss allowance recognised in income statement during the year	5,282
<b>At 31 March 2019</b>	<b>7,422</b>

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 the debtor to engage in a repayment plan with the Group and the debtor has significant financial difficulties.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (continued)

##### Trade receivables (continued)

As at 31 March 2019, the provision for impairment was determined as follows:

At 31 March 2019	Lifetime expected credit loss rate	Gross carrying amount HK\$'000	Lifetime expected credit loss HK\$'000	Net carrying amount HK\$'000
<b>Trade receivables</b>				
Provision for impairment on individual basis	83.5%	7,814	6,525	1,289
Provision for impairment on collective basis	0%—20.1%	134,600	897	133,703
		142,414	7,422	134,992

Impairment losses on trade receivables are presented as provision for impairment of trade receivables within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for provision for impairment of trade receivables: In prior years, the provision for impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- (i) significant financial difficulties of the debtor, and
- (ii) default payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

#### Other financial assets at amortised cost

Other financial assets at amortised cost include cash and cash equivalents, pledged bank deposits, financial assets at fair value through profit or loss, deposits and other receivables. These financial assets are considered to be low credit risk primarily because they had no history of default and the counterparties had a strong capacity to meet their contractual cash flow obligations in the near term. No impairment losses were provided for the year ended 31 March 2019.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (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.

	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
<b>As at 31 March 2019</b>				
Trade and bills payables	200,886	—	—	200,886
Accruals and other payables	8,145	—	—	8,145
Borrowings	17,303	—	—	17,303
	<b>226,334</b>	<b>—</b>	<b>—</b>	<b>226,334</b>
<b>As at 31 March 2018</b>				
Trade and bills payables	166,030	—	—	166,030
Accruals and other payables	9,764	—	—	9,764
Borrowings	20,152	—	—	20,152
	195,946	—	—	195,946

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

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.

#### 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 2019	17,379	—	—	17,379
At 31 March 2018	13,954	6,606	—	20,560

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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	
	2019 HK\$'000	2018 HK\$'000
Cash and bank balances excluding pledged bank deposits (Note 20)	92,668	108,900
Less: borrowings (Note 24)	(17,303)	(20,152)
Net cash	75,365	88,748
Total capital	243,774	208,590
Gearing ratio	N/A	N/A

As at 31 March 2019 and 2018, the Group was at net cash position, hence the gearing ratio was not applicable.

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2019, by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation (Continued)

The following table presents the Group's asset that is measured at fair value at 31 March 2019.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss ( <i>Note 15</i> )				
— Key management insurance contract	—	—	1,214	1,214

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

#### **Valuation process**

The finance department of the Group includes a team that performs the valuation of the key management insurance contract required for financial reporting purposes, including level 3 fair value. The main level 3 input used by the Group is derived and evaluated as follows:

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

There were no transfers between Level 1, Level 2 and level 3 fair value hierarchy classifications and no significant changes in valuation techniques during the period.

The following table presents the changes in level 3 instruments for the year ended 31 March 2019:

	Financial assets at fair value through profit or loss HK\$'000
Opening balance	—
Addition for the year	1,439
Fair value loss	(225)
Closing balance	1,214





# 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 cost of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each statement of financial position date.

### (b) Provision for impairment of trade and other receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates (Note 3.1(b)). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the statement of financial position date.

### (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.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (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.

## 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 being principally 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 2019 are HK\$467,167,000 (2018: HK\$468,758,000), the revenue from customers in Spain are HK\$108,688,000 (2018: HK\$86,028,000), and the total revenue from customers in other countries are HK\$183,600,000 (2018: HK\$142,706,000). 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 assets at fair value through profit or loss and deferred income tax assets.

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
PRC	16,609	9,118
Hong Kong	1,621	1,201
Cambodia	39,712	35,697
	<b>57,942</b>	46,016

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

### Information about major customers

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Customer A	182,842	191,391
Customer B	128,986	98,859
Customer C	100,318	96,130
Customer D	85,567	82,001
Customer E	81,187	76,232
	<b>578,900</b>	544,613

## 6 REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
<b>Revenue:</b>		
Sales of goods	759,455	697,492

Revenue of HK\$2,416,000 recognised during the year ended 31 March 2019 was related to contract liabilities in a prior year.

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
<b>Other income:</b>		
Sundry income	8	57
<b>Other gains, net:</b>		
Net losses on disposal of property, plant and equipment	—	(32)
Net exchange gains	7,942	1,678
Gain on sales of scrap materials	392	1,274
Fair value change of financial asset at fair value through profit or loss	(225)	—
	<b>8,109</b>	2,920
	<b>8,117</b>	2,977

# Notes to the Consolidated Financial Statements

## 7 EXPENSES BY NATURE

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Cost of raw materials consumed	373,484	331,815
Sub-contracting charges	100,551	60,582
Transportation and customs charges	34,275	27,609
Operating lease rental in respect of land and building	3,447	3,111
Employee benefit expense (Note 8)	161,112	157,029
Auditor's remuneration	1,850	1,570
Travelling expenses	1,376	1,152
Entertainment expenses	1,292	966
Listing expenses	—	24,278
Amortisation on land use rights (Note 13)	44	44
Depreciation on property, plant and equipment	7,802	8,224
Legal and professional fees	3,516	540
Utilities	5,729	5,581
Repairs and maintenance	774	752
Provision for impairment of trade receivables (Note (i))	—	1,565
Donations	412	1,436
Other expenses	17,868	16,073
Total cost of sales, selling and distribution expenses and administrative expenses	713,532	642,327

Note (i):

With effect from 1 April 2018, provision for impairment of trade receivables was separately disclosed in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 8 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Salaries and allowances	152,452	150,712
Pension costs — defined contribution plans	8,660	6,317
	<b>161,112</b>	157,029

### (a) Five highest paid individuals

For the year ended 31 March 2019, the five individuals whose emoluments were the highest in the Group include 5 (2018: 4) directors, whose emoluments were reflected in Note 31. The emolument paid to the remaining 1 individual in 2018 is as follows:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Salaries and allowances	—	900
Pension costs — defined contribution plans	—	17
	<b>—</b>	917

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

	Number of individuals Year ended 31 March	
	2019	2018
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 2019 (2018: Nil).

# Notes to the Consolidated Financial Statements

## 9 FINANCE COSTS, NET

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
<b>Finance costs:</b>		
– Interest expense on bank borrowings	(815)	(892)
– Interest expense on bills payable	(3,759)	(1,498)
– Interest expense on finance lease liabilities	(2)	(9)
	<b>(4,576)</b>	(2,399)
<b>Finance income:</b>		
– Interest income on bank deposits	811	122
Finance costs, net	<b>(3,765)</b>	(2,277)

## 10 INCOME TAX EXPENSES

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Current income tax:		
– Hong Kong profits tax	274	9,477
– Overseas taxation	4,325	5
Under-provision in prior years	515	102
	<b>5,114</b>	9,584
Deferred income tax ( <i>Note 25</i> )	(791)	703
	<b>4,323</b>	10,287

# Notes to the Consolidated Financial Statements

## 10 INCOME TAX EXPENSES (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) for the year ended 31 March 2019 on the estimated assessable profit. 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 from 1 January 2015 to 31 December 2018. Starting from 1 January 2019, Cambodia corporate income tax has been provided at the rate of 20%.

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	
	2019 HK\$'000	2018 HK\$'000
Profit before income tax	44,993	55,865
Tax calculated at domestic tax rates applicable to profits in the respective countries:	8,757	9,894
Tax effects of:		
Tax concession	(4,209)	(3,982)
Income not subject to tax	(1,032)	(20)
Expenses not deductible for tax purposes	1,036	4,293
Under-provision in prior years	515	102
Recognition of previously unrecognised tax losses	(744)	—
Income tax expenses	4,323	10,287

For the year ended 31 March 2019, the weighted average applicable tax rate was 10% (2018: 18%).

# Notes to the Consolidated Financial Statements

## 11 DIVIDENDS

The Board has recommended the payment of a final dividend of HK4.0 cents per share (2018: HK1.0 cent per share), amounting to an aggregate of approximately HK\$16,345,000 (2018: HK\$4,086,000) for the year ended 31 March 2019. 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.

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Proposed final dividend of HK4.0 cents (2018: HK1.0 cent) per share by the Company	16,345	4,086
Final dividend paid of HK\$2,000 per share by a subsidiary of the Company	—	20,000

## 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 21(d)) were deemed to have been in issue since 1 April 2017.

	Year ended 31 March	
	2019	2018
Profit attributable to owners of the Company (HK\$'000)	40,670	45,578
Weighted average number of shares in issue (thousands shares)	408,626	319,991
Basic earnings per share (HK cents)	10.0	14.2

### (b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary share outstanding as at 31 March 2019 (2018: Nil).



# Notes to the Consolidated Financial Statements

## 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	
	2019 HK\$'000	2018 HK\$'000
Beginning of the year	350	394
Amortisation	(44)	(44)
End of the year	306	350

## 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
<b>Year ended 31 March 2018</b>						
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
<b>At 31 March 2018</b>						
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

# 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
<b>At 1 April 2018</b>						
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
<b>Year ended 31 March 2019</b>						
Opening net book amount	26,138	10,797	1,582	3,792	3,357	45,666
Additions	8,681	3,562	—	2,653	5,186	20,082
Transfer	6,654	—	—	—	(6,654)	—
Depreciation charge	(1,729)	(4,385)	(587)	(1,333)	—	(8,034)
Currency translation differences	(18)	(9)	(31)	(20)	—	(78)
Closing net book amount	39,726	9,965	964	5,092	1,889	57,636
<b>At 31 March 2019</b>						
Cost	53,033	30,725	6,361	10,916	1,889	102,924
Accumulated depreciation	(13,307)	(20,760)	(5,397)	(5,824)	—	(45,288)
Net book amount	39,726	9,965	964	5,092	1,889	57,636

Depreciation of HK\$1,920,000 (2018: HK\$1,961,000) have been charged to “administrative expenses” and HK\$5,882,000 (2018: HK\$6,263,000) have been charged to “cost of sales” for the year ended 31 March 2019. In addition, depreciation of HK\$232,000 (2018: HK\$120,000) has been capitalised as inventories as at 31 March 2019.

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

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Cost	735	735
Accumulated depreciation	(502)	(355)
Net book amount	233	380

The Group leases motor vehicles under non-cancellable finance lease agreement. The lease terms were two years and were fully settled during the current year.

# Notes to the Consolidated Financial Statements

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

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
At beginning of the year	—	—
Addition	1,439	—
Charged to the consolidated income statement	(225)	—
As at 31 March	1,214	—

During the year 31 March 2019, the Group entered into key management insurance contract to insure one of its key management personnel, which includes both investment and insurance elements.

## 16 SUBSIDIARIES

Particulars of the principal subsidiaries at 31 March 2019 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 Company 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	Investment holding 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

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
<b>Assets as per consolidated statement of financial position</b>		
Financial assets at amortised cost:		
– Trade receivables	134,992	125,001
– Deposits and other receivables	1,155	1,275
– Pledged bank deposits	22,528	22,360
– Cash and cash equivalents	92,668	108,900
<b>Total</b>	<b>251,343</b>	<b>257,536</b>
Financial assets at fair value through profit or loss	1,214	–
<b>Liabilities as per consolidated statement of financial position</b>		
Other financial liabilities at amortised cost:		
– Trade and bills payables	200,886	166,030
– Accruals and other payables	8,145	9,764
– Borrowings	17,303	20,152
<b>Total</b>	<b>226,334</b>	<b>195,946</b>

## 18 INVENTORIES

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Raw materials	56,134	33,647
Work-in-progress	86,039	43,257
Finished goods	20,881	27,374
<b>Total</b>	<b>163,054</b>	<b>104,278</b>

The cost of raw materials consumed recognised as expense and included in “cost of sales” in the consolidated income statement amounted to HK\$373,484,000 for the year ended 31 March 2019 (2018: HK\$331,815,000).

# Notes to the Consolidated Financial Statements

## 19 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade receivables	142,414	126,566
Less: provision for impairment of trade receivables	(7,422)	(1,565)
Trade receivables, net	134,992	125,001
Deposits	1,149	1,075
Prepayments	1,893	6,355
Value-added tax recoverable	6,412	7,155
Other receivables	6	200
	9,460	14,785
Less: non-current portion		
Deposits paid for plant and equipment	—	(1,213)
Current portion	9,460	13,572

The maximum exposure to credit risk as at 31 March 2019 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	
	2019 HK\$'000	2018 HK\$'000
US\$	135,834	126,036
HK\$	310	237
RMB	3	3
	136,147	126,276

# Notes to the Consolidated Financial Statements

## 19 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 2019, the ageing analysis of the gross trade receivables based on the invoice date is as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Within 30 days	52,714	36,072
31 to 60 days	34,578	39,705
61 to 90 days	28,432	38,237
Over 90 days	26,690	12,552
	<b>142,414</b>	126,566

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

	HK\$'000
At 1 April 2017	—
Provision for impairment	1,565
At 31 March 2018	1,565
Amounts additionally provided through opening retained earnings on adoption of HKFRS 9 (Note 2.2(a))	575
At 1 April 2018	<b>2,140</b>
Provision for impairment	<b>5,282</b>
At 31 March 2019	<b>7,422</b>

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

# Notes to the Consolidated Financial Statements

## 20 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Cash at bank	88,974	108,677
Cash on hand	3,694	223
Cash and cash equivalents	92,668	108,900
Pledged bank deposits	22,528	22,360
Cash and bank balances	115,196	131,260
Maximum exposure to credit risk	111,502	131,037

As at 31 March 2019, pledged bank deposits of HK\$22,528,000 (2018: HK\$22,360,000) were held at bank as security for bank facilities and bank borrowings. Pledged bank deposits are deposited with a creditworthy bank with no recent history of default.

As at 31 March 2019 and 2018, the pledged bank deposits are denominated in US\$ and HK\$.

The weighted average effective interest rates on pledged bank deposits, with maturity ranging from one month to six months, was 0.82% (2018: 0.61%) per annum for the year ended 31 March 2019.

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

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
HK\$	53,298	73,447
US\$	58,785	57,583
RMB	3,113	230
	115,196	131,260

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

## 21 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 and 2019	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 and 2019	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 issue 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.



# Notes to the Consolidated Financial Statements

## 21 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.

## 22 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.

## 23 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade payables	104,866	69,950
Bills payable	96,020	96,080
	<b>200,886</b>	166,030
Accruals and other payables		
— Accrued salaries	11,529	12,088
— Accruals for listing expenses	—	3,559
— Other accruals and payables	8,145	6,205
— Receipt in advance from a customer	—	2,416
— Contract liabilities	604	—
	<b>20,278</b>	24,268
	<b>221,164</b>	190,298

As at 31 March 2019, the carrying amounts of trade and bills payables, accruals and other payables approximate their fair values.

# Notes to the Consolidated Financial Statements

## 23 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

Notes:

### (a) Trade and bills payables

As at 31 March 2019, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within 30 days	78,976	60,758
31 to 60 days	34,787	74,321
61 to 90 days	64,858	25,354
Over 90 days	22,265	5,597
	<b>200,886</b>	166,030

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

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
HK\$	22,274	47,152
US\$	64,148	72,442
RMB	114,464	46,436
	<b>200,886</b>	166,030

### (b) Accruals and other payables

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

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
HK\$	2,967	7,292
US\$	12,777	13,528
RMB	4,534	3,448
	<b>20,278</b>	24,268

# Notes to the Consolidated Financial Statements

## 24 BORROWINGS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Bank borrowings (Note a)	17,303	20,056
Finance lease liabilities (Note b)	—	96
	<b>17,303</b>	<b>20,152</b>

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	
	2019 HK\$'000	2018 HK\$'000
Within 1 year	17,303	13,522
Between 1 and 2 years	—	6,534
	<b>17,303</b>	<b>20,056</b>

The weighted average interest rate during the year ended 31 March 2019 were as follows:

	As at 31 March	
	2019	2018
Short-term bank loans	3.81%	3.73%

At 31 March 2019 and 2018, the borrowings are denominated in the following currencies:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
HK\$	15,532	14,622
US\$	1,771	5,434
	<b>17,303</b>	<b>20,056</b>

# Notes to the Consolidated Financial Statements

## 24 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	
	2019 HK\$'000	2018 HK\$'000
Within 1 year	17,303	13,522
Between 1 and 2 years	—	6,534
	<b>17,303</b>	<b>20,056</b>

As at 31 March 2019, the carrying amounts of the borrowings approximate their fair values.

As at 31 March 2019, the Group had aggregate banking facilities of HK\$157,346,000 (2018: HK\$131,933,000) for bills payable, overdrafts and loans. Unutilised facilities as at the same date amounted to HK\$44,023,000 (2018: HK\$15,797,000).

As at 31 March 2019, the Group's banking facilities and bank borrowings are secured by pledged bank deposits of HK\$22,528,000 (2018: 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	
	2019 HK\$'000	2018 HK\$'000
<b>Gross finance lease liabilities — minimum lease payments</b>		
No later than 1 year	—	98
Later than 1 year and no later than 5 years	—	—
	—	98
Future finance charges on finance leases	—	(2)
<b>Present value of finance lease liabilities</b>	<b>—</b>	<b>96</b>
<b>The present value of finance lease liabilities is as follows:</b>		
No later than 1 year	—	96
Later than 1 year and no later than 5 years	—	—
	<b>—</b>	<b>96</b>

# Notes to the Consolidated Financial Statements

## 25 DEFERRED INCOME TAX ASSETS/(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	
	2019 HK\$'000	2018 HK\$'000
Deferred income tax assets (Note a)	744	—
Deferred income tax liabilities (Note b)	(705)	(752)
	39	(752)

Notes:

- (a) The movement in deferred income tax assets during the year are as follows:

	Tax loss HK\$'000
At 31 March 2018 and 1 April 2018	—
Credited to the consolidated income statement (Note 10)	744
At 31 March 2019	744

- (b) The movements in deferred income tax liabilities during the year are as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2017	49
Charged to the consolidated income statement (Note 10)	703
At 31 March 2018	752
At 1 April 2018	752
Credited to the consolidated income statement (Note 10)	(47)
At 31 March 2019	705

As at 31 March 2019, 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 (2018: Nil).

Deferred income tax liabilities of HK\$11,952,000 (2018: HK\$6,910,000) 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 2019 as such amounts are expected to be permanently reinvested.

# Notes to the Consolidated Financial Statements

## 26 COMMITMENTS

### (a) Capital commitments

As at 31 March 2019, capital expenditure contracted for but not yet incurred are as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Property, plant and equipment	2,178	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 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	
	2019 HK\$'000	2018 HK\$'000
No later than 1 year	3,432	3,432
Later than 1 year and no later than 5 years	5,952	9,384
	9,384	12,816

# Notes to the Consolidated Financial Statements

## 27 NET CASH GENERATED FROM OPERATIONS

	Notes	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Profit before income tax		<b>44,993</b>	55,865
Adjustments for:			
Amortisation on land use right	7	<b>44</b>	44
Depreciation of property, plant and equipment	7	<b>7,802</b>	8,224
Losses on disposal of property, plant and equipment	6	<b>—</b>	32
Provision for impairment of trade receivables		<b>5,282</b>	1,565
Fair value change of financial asset at fair value through profit or loss		<b>225</b>	—
Finance income	9	<b>(811)</b>	(122)
Finance costs	9	<b>4,576</b>	2,399
		<b>62,111</b>	68,007
Changes in working capital:			
Inventories		<b>(59,412)</b>	(56,571)
Trade receivables		<b>(15,848)</b>	(28,458)
Prepayments, deposits and other receivables		<b>4,062</b>	(3,293)
Trade and bills payables		<b>35,336</b>	46,971
Accruals and other payables		<b>(4,027)</b>	12,213
Net cash generated from operations		<b>22,222</b>	38,869

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Net book value (Note 14)	<b>—</b>	42
Net losses on disposal of property, plant and equipment	<b>—</b>	(32)
Proceeds from disposal of property, plant and equipment	<b>—</b>	10

# Notes to the Consolidated Financial Statements

## 28 CASH FLOW INFORMATION – FINANCING ACTIVITIES

This section sets out the reconciliation of liabilities arising from financing activities for the year ended 31 March 2019.

	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
<b>At 1 April 2017</b>	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)
<b>At 31 March 2018</b>	—	—	96	—	20,056	20,152
<b>At 1 April 2018</b>	—	—	96	—	20,056	20,152
Non cash — dividend declared	—	4,086	—	—	—	4,086
Non cash — interest cost	—	—	—	4,576	—	4,576
Cash flow — financing activities	—	(3,959)	(96)	(4,576)	(2,753)	(11,384)
<b>At 31 March 2019</b>	—	127	—	—	17,303	17,430

## 29 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.



# Notes to the Consolidated Financial Statements

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

- (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
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

- (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 2019, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
<b>Continuing transactions:</b>		
Rental expenses paid or payable to related parties		
– Ms. Dong Yan	2,976	2,635
– Ms. Ma Lan Chu and Ms. Yung Ngan Sim	288	288
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	168	168
<b>Total</b>	<b>3,432</b>	<b>3,091</b>

- (c) **Key management compensation**

Key management includes directors of the Company (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	
	2019 HK\$'000	2018 HK\$'000
Salaries, bonus and other allowances	9,836	8,039
Retirement benefit costs		
– Mandatory Provident Fund Scheme	150	150
<b>Total</b>	<b>9,986</b>	<b>8,189</b>

# Notes to the Consolidated Financial Statements

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	<b>95,531</b>	95,531
<b>Current assets</b>		
Prepayment	<b>—</b>	251
Amount due from subsidiaries	<b>84,446</b>	48,218
Cash and cash equivalents	<b>47,005</b>	70,332
	<b>131,451</b>	118,801
<b>Total assets</b>	<b>226,982</b>	214,332
<b>EQUITY</b>		
<b>Equity attributable to the owners of the Company</b>		
Share capital	<b>4,086</b>	4,086
Share premium	<i>(a)</i> <b>109,611</b>	109,611
Capital reserve	<i>(b)</i> <b>95,531</b>	95,531
Retained earnings	<b>17,627</b>	5,054
Total equity	<b>226,855</b>	214,282
<b>Current liabilities</b>		
Accruals and other payables	<b>127</b>	50
<b>Total liabilities</b>	<b>127</b>	50
Total equity and liabilities	<b>226,982</b>	214,332

The statement of financial position of the Company was approved by the Board of Directors on 26 June 2019 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

	HK\$'000
<b>As at 29 May 2017 (date of incorporation)</b>	—
Share issued pursuant to the Capitalisation Issue ( <i>Note 21(d)</i> )	(3,000)
Share issued pursuant to the shares offer in Listing ( <i>Note 21(e)</i> )	117,000
Share issued pursuant to exercise of over-allotment option ( <i>Note 21(f)</i> )	10,093
Listing expenses related to the issue of new shares ( <i>Note 21(g)</i> )	(14,482)
<b>As at 31 March 2018 and 2019</b>	<b>109,611</b>

#### (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.

#### (c) Retained earnings of the Company

	HK\$'000
<b>As at 29 May 2017 (date of incorporation)</b>	—
Profit for the period	25,054
Dividend	(20,000)
<b>As at 31 March 2018</b>	<b>5,054</b>
<b>As at 1 April 2018</b>	<b>5,054</b>
Profit for the year	16,659
2017/2018 final dividend	(4,086)
<b>As at 31 March 2019</b>	<b>17,627</b>

# 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 2019:

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
<b>Executive directors</b>				
Mr. Ma Hing Man	—	2,210	18	2,228
Mr. Ma Hing Ming ( <i>Note i</i> )	—	1,950	18	1,968
Ms. Ma Lan Chu	—	1,170	18	1,188
Mr. Ma Yum Chee	—	910	18	928
Ms. Ma Lan Heung	—	780	18	798
	—	7,020	90	7,110
<b>Independent non-executive directors (<i>Note ii</i>)</b>				
Mr. Lam Kwok Cheong	200	—	—	200
Mr. Wong Wai Keung Frederick	200	—	—	200
Mr. Yeung Chi Wai	200	—	—	200
	600	—	—	600

# Notes to the Consolidated Financial Statements

## 31 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

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 Employer's contribution to a retirement benefit scheme			
	Fees HK\$'000	Salaries HK\$'000	HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Mr. Ma Hing Man	—	2,041	18	2,059
Mr. Ma Hing Ming	—	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
<b>Independent non-executive directors</b>				
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.

### (b) Directors' retirement benefits and termination benefits

None of the directors of the Company received or will receive any retirement benefits or termination benefits during the year ended 31 March 2019 (2018: Nil).

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

No consideration was made to the directors of the Company for making available the services of them as a director of the Company during the year ended 31 March 2019 (2018: 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 of the Company, controlled bodies corporate by and connected entities with such directors during the year ended 31 March 2019 (2018: 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 2019 (2018: Nil).

# Five-Year Financial Summary

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

## RESULTS

	2019 HK\$'000	Year ended 31 March			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	<b>759,455</b>	697,492	677,214	585,940	546,043
Profit before tax	<b>44,993</b>	55,865	63,314	51,745	11,632
Income tax expense	<b>(4,323)</b>	(10,287)	(8,383)	(3,612)	(4,388)
Profit for the year	<b>40,670</b>	45,578	54,931	48,133	7,244

## ASSETS AND LIABILITIES

	2019 HK\$'000	As at 31 March			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Assets</b>					
Non-current assets	<b>59,900</b>	47,229	42,534	38,237	38,615
Current assets	<b>427,142</b>	375,238	246,388	182,087	166,382
Total assets	<b>487,042</b>	422,467	288,922	220,324	204,997
<b>Equity and liabilities</b>					
Total equity	<b>243,774</b>	208,590	68,220	54,452	23,580
Non-current liabilities	<b>705</b>	752	145	138	73
Current liabilities	<b>242,563</b>	213,125	220,557	165,734	181,344
Total liabilities	<b>243,268</b>	213,877	220,702	165,872	181,417
Total equity and liabilities	<b>487,042</b>	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 for the year ended 31 March 2018 of the Company dated 27 June 2018.