



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

2019/20
Interim Report



The background features a light pink floral pattern with various flowers and leaves. Several handbags are illustrated in a sketchy, line-art style: a quilted bag with a chain strap at the top, a structured bag with a top handle on the left, a satchel with a top handle on the right, and a woven basket-style bag at the bottom. A large, rounded rectangular frame is centered on the page, containing the title and table of contents.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Mr. Yeung Lee Fai

AUTHORISED REPRESENTATIVES

Mr. Ma Hing Ming
Mr. Yeung Lee Fai

LEGAL ADVISER AS TO HONG KONG LAWS

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



Corporate Information

INDEPENDENT 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
Room 2103B, 21/F., 148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKERS

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

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

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

COMPANY'S WEBSITE

www.wahsun.com.hk

STOCK CODE

2683

BOARD LOT

2,000 shares

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

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

The Group’s revenue increased by approximately HK\$85 million or 23.7% to approximately HK\$445 million for the six months ended 30 September 2019 (“**1H2019**”) from approximately HK\$360 million for the six months ended 30 September 2018 (“**1H2018**”) mainly due to an increase in demand from our customers as a result of (i) the benefit of duty-free and quota-free export of all goods (except arms and ammunition) to the United States of America (“**USA**”) and member states of the European Union from Kingdom of Cambodia (“**Cambodia**”); and (ii) the ramp-up of production capacity following the completion of the second phase of our expansion plan in Cambodia. The Group’s sales were still predominantly made to North America, accounting for approximately 81% of total revenue for 1H2019 (1H2018: approximately 67%).

For the first three quarters of 2019, the level of global economic growth remained within a reasonable range, continuing an overall stable, steady and progressive development trend, even though the trade dispute between the People’s Republic of China (the “**PRC**”, for the purpose of this interim report only, excluding The Hong Kong Special Administrative Region (“**Hong Kong**”), The Macau Special Administrative Region and Taiwan) and USA persisted. This is one of the uncertainties that are expected to continue to cloud the prospect of the global economy.

We believe that risks and opportunities always co-exist. As a market player in the industry, we are prepared to fight and overcome various macroeconomic challenges by consistently adopting the following strategies:

- (i) to strive to consolidate our advantages in the industry by optimizing customer structure through focusing on those customers with a relatively high gross profit margin;
- (ii) to diversify our customer base and capture greater market share in different markets;
- (iii) to enhance our operational efficiency through upgrading existing facilities and enhancing information technology structure; and
- (iv) to recruit and train experienced staff to enhance product development support.

In respect of the industry environment, during 1H2019, the global handbags market is witnessing steady growth, owing to the growing demand for affordable on-trend handbags. The arrival of numerous brands and their readily availability through retail stores and online retail channels are contributing to the market’s growth. The shift in consumers’ behavior away from animal products is also a driving force for our customers to opt for non-leather handbags in order to broaden the product offerings to their clientele and gain their trust and support.

During 1H2019, we were able to achieve an improvement in gross profit margin while delivering revenue growth amid an uncertain macroeconomic environment. On the other hand, the third phase of our expansion plan for the warehousing space and staff accommodation on the unused portion of the leased land in Cambodia have been completed during 1H2019. To cope with our business expansion in the long run, we shall continue to expand our production facilities in Cambodia and open up more opportunities for our expansion by reference to the latest market condition from time to time.

Management Discussion and Analysis

Looking ahead, there is general expectation that the global economy will continue to be volatile in the second half of this financial year which may adversely affect our revenue and profitability. The Group is prepared 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. Since always, we have positioned ourselves as a market player with sustainable and stable development in the industry.

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

FINANCIAL REVIEW

Revenue

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

The Group’s revenue increased to approximately HK\$445 million for 1H2019 from approximately HK\$360 million for 1H2018, representing an increase of approximately 23.7%.

The Group recorded a significant increase of revenue from customers in the USA by approximately HK\$112 million during 1H2019 from approximately HK\$229 million for 1H2018 to approximately HK\$341 for 1H2019. This was mostly driven by Cambodia’s favorable trading arrangements and the increase in sales of products manufactured in Cambodia with the planned gearing up of production capacity of our manufacturing facilities in Cambodia.

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:

	Six months ended 30 September			
	2019		2018	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Cambodia	396,275	89	261,001	73
Dongguan, the PRC	48,615	11	98,531	27
	444,890	100	359,532	100

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.

The Group’s sales to its top five customers accounted for approximately 74% of the total revenue for 1H2019, with the Group’s sales to its largest customer accounting for approximately 22% of the total revenue for 1H2019.

Management Discussion and Analysis

Revenue (Continued)

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

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

	Six months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)
Revenue (HK\$'000)	444,890	359,532
Quantities sold (Unit'000)	7,505	6,540
Average selling price (HK\$/Unit)	59.3	55.0

The increase in average unit 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\$369 million for 1H2019 from approximately HK\$302 million for 1H2018, representing an increase of approximately 22.2%.

The percentage increase of the Group's cost of sales was lower than that of the sales growth during 1H2019. This was mainly due to the planned increase in the sales of products manufactured in Cambodia to approximately 89% of the total revenue for 1H2019 from approximately 73% for 1H2018 in order to enjoy the lower labour costs and the economies of scale in Cambodia while such benefit has been partially offset by larger amounts of overtime payment as a result of a significant increase in sales in 1H2019 by approximately 23.7% when compared with that of 1H2018.

Gross profit and gross profit margin

With the factors as mentioned above, the Group's gross profit increased to approximately HK\$76 million for 1H2019 from approximately HK\$58 million for 1H2018, representing an increase of approximately 32.0%, and the Group's gross profit margin increased to 17.1% for 1H2019 from 16.0% for 1H2018, representing an increase of 1.1%.

Other gains, net

The Group's other gains primarily consist of (i) net exchange gains of HK\$4.4 million for 1H2019 (1H2018: HK\$6.1 million) mainly arising from the depreciation of Renminbi ("RMB") against Hong Kong dollars ("HK\$") during 1H2019; and (ii) gain on sales of scrap materials of HK\$0.2 million for 1H2019 (1H2018: HK\$0.3 million).



Management Discussion and Analysis

Selling and distribution expenses

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

Selling and distribution expenses increased to approximately HK\$19.7 million for 1H2019 from approximately HK\$18.1 million for 1H2018, representing an increase of approximately 8.7%. The increase was primarily due to the increases in transportation and customs charges as a result of the 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 slightly increased to approximately HK\$23.9 million for 1H2019 from approximately HK\$23.5 million for 1H2018, representing an increase of approximately 1.7%. Such increase was mainly due to an increase in headcount and their compensation level following the expansion of our operation.

Finance costs, net

Net finance costs increased by approximately HK\$0.3 million or 14.9% from approximately HK\$1.9 million for 1H2018 to approximately HK\$2.2 million for 1H2019.

The increase was mainly due to an increase in interest expense on lease liabilities of approximately HK\$0.6 million upon the adoption of Hong Kong Financial Reporting Standard (“**HKFRS**”) 16, “Leases”, which took effect on 1 April 2019.

Income tax expenses

The Group's income tax expenses increased by approximately HK\$6.4 million from HK\$0.3 million for 1H2018 to approximately HK\$6.7 million for 1H2019.

The increase was mainly due to the increase in assessable profit for 1H2019. Our effective tax rate increased from 1.8% for 1H2018 to 20.7% for 1H2019. The increase in effective tax rate for 1H2019 when compared with 1H2018 was mainly due to the result of end 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 Cambodia corporate income tax has been set and assessable at the rate of 20% effective from 1 January 2019.

Profit for the period

As a result of the foregoing, profit for the period attributable to owners of the Company increased by approximately HK\$10.3 million or 67.6% to approximately HK\$25.6 million for 1H2019 from approximately HK\$15.2 million for 1H2018.

Our net profit margin increased from 4.2% for 1H2018 to 5.7% for 1H2019, which was mainly due to (i) the decrease in provision of trade receivables by approximately HK\$2.3 million; and (ii) the increase in gross profit margin from 16.0% for 1H2018 to 17.1% for 1H2019.

Management Discussion and Analysis

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and pledge of assets

As at 30 September 2019, the Group had borrowings of approximately HK\$10.7 million (31 March 2019: approximately HK\$17.3 million).

Bank borrowings were secured by bank deposits of approximately HK\$22.7 million (31 March 2019: approximately HK\$22.5 million) as at 30 September 2019.

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

Working capital management

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

Liquidity ratios

As at 30 September 2019, the Group had cash and cash equivalents of approximately HK\$87 million (31 March 2019: approximately HK\$93 million). The Group's current ratio, gearing ratio and net debt to equity ratio are as follows:

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
Current ratio	1.8	1.8
Gearing ratio	4.2%	7.1%
Net debt to equity ratio	Net cash	Net cash

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

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

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

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



Management Discussion and Analysis

Financial management, treasury policy and foreign currency exposure

The Group's financial management, treasury policy and foreign currency exposure had not been materially changed since the information disclosed in our annual report for the year ended 31 March 2019.

Employee and remuneration policy

As at 30 September 2019, the Group employed a total of 5,645 employees (31 March 2019: 5,060 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 1H2019, the staff costs (including directors' emoluments) amounted to approximately HK\$87 million (1H2018: approximately HK\$77 million).

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

No share option has been granted under the Share Option Scheme since its adoption and therefore, no share options lapsed or were granted, exercised or cancelled during 1H2019 and there were no outstanding share options as at 30 September 2019.

Development and Training

Staff's continuous development is one of the crucial success of the Group. The Group provides on-board trainings and orientation for the new coming staff. Also, the Group encourages the employees to attend external applicable training courses or seminars during office hours, which are relevant to their job duties. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

Significant investments/material acquisitions and disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during 1H2019.

Future plans for material investments or capital assets

Saved as disclosed in the prospectus of the Company dated 10 January 2018, the Group did not have other plans for material investments and capital assets as at 30 September 2019.

Capital commitments

As at 30 September 2019, the Group had capital commitments of approximately HK\$0.2 million (31 March 2019: approximately HK\$2.2 million) in respect of acquisition of property, plant and equipment.

Contingent liabilities

As at 30 September 2019, the Group did not have any significant contingent liabilities (31 March 2019: Nil).

Event after 1H2019

No material events have occurred after 1H2019 and up to the date of this report.

Management Discussion and Analysis

Interim dividend

The Board has resolved not to declare the payment of any interim dividend to the Shareholders for 1H2019 (1H2018: Nil).

USE OF NET PROCEEDS FROM THE LISTING

On 22 January 2018, the shares of the Company (the “Shares”) in issue were initially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing”, respectively). A total of 108,626,000 Shares were issued to the public at HK\$1.18 per Share for 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 Net Proceeds which have remained unutilised amounted to approximately HK\$29.8 million.

Set out below are details of the revised allocation of the Net Proceeds (the “Revised Allocation of the Net Proceeds”) as well as the utilised and unutilised amounts of the Net Proceeds as at the date of this report:

		Revised Allocation of the Net Proceeds HK\$ million	Utilised amount (as at the date of this report) HK\$ million	Unutilised amount (as at the date of this report) HK\$ million
Expansion of our production facilities in Cambodia	45%	38.5	24.1	14.4
Leasing land and construction of production plant	25%	21.4	15.7	5.7
Fitting out works	5%	4.3	2.2	2.1
Purchasing production equipment	15%	12.8	6.2	6.6
Establishing a product development team in Cambodia	15%	12.8	6.4	6.4
Upgrading existing software and hardware	10%	8.5	5.0	3.5
Refurbishment of the existing facilities	10%	8.5	4.6	3.9
Installing showrooms in Dongguan and Cambodia	10%	8.5	6.9	1.6
General working capital	10%	8.5	8.5	0.0
	100%	85.3	55.5	29.8



Management Discussion and Analysis

In particular,

- (i) regarding the expansion of our production facilities in Cambodia, approximately HK\$24.1 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\$6.4 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\$4.6 million has been used for refurbishment of the existing showroom, workshop and ancillary office as planned; and
- (v) regarding installing showrooms in Dongguan, the PRC and Cambodia, approximately HK\$6.9 million has been used for installing showrooms in our production bases in Dongguan, the PRC and Cambodia as planned.

As at 30 September 2019, the unutilised Net Proceeds were 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 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 the Net Proceeds.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

During 1H2019, the Company had complied with all the code provisions, where applicable, of the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules” and the “CG Code”, respectively).

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

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

(i) Interest in 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%

Corporate Governance and Other Information

Notes:

1. Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung have decided to restrict their ability to exercise direct control over our Company by holding their interests through a common investment entity, Wah Sun International Holdings Limited ("**Wah Sun Holdings**"). Wah Sun Holdings' entire issued share capital is personally held by each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung as to 20%. They are also parties to an acting in concert deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares of Wah Sun Holdings held by each of them in aggregate and all the shares held by Wah Sun Holdings under the SFO.
 2. The letter "L" denotes the person's long position in such Shares.
- * The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 408,626,000 as at 30 September 2019.

(ii) Interest in Associated Corporation

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

Corporate Governance and Other Information

Notes:

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

Save as disclosed above, as at 30 September 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 to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2019, so far as is known to the Directors, the following entities or persons other than the Directors and chief executive of the Company, had interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in the Shares

Name of Shareholders	Capacity/Nature of interest	Numbers of Shares interested or held (L) (Note 1)	Approximate percentage of the Company's issued Shares*
Wah Sun Holdings (Notes 2 and 3)	Beneficial owner	300,500,000	73.54%
Ms. Chan Sim Kuen (Note 4)	Interest of a spouse	300,500,000	73.54%
Ms. Wu Yu Ling (Note 5)	Interest of a spouse	300,500,000	73.54%
Ms. Yung Ngan Sim (Note 6)	Interest of a spouse	300,500,000	73.54%



Corporate Governance and Other Information

Notes:

1. The letter "L" denotes the person's long position in such Shares.
 2. Wah Sun Holdings is a direct Shareholder.
 3. Wah Sun Holdings is beneficially owned as to 20% each by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung. Each of them is also a party to an acting in concert deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares in Wah Sun Holdings held by each of them in aggregate under the SFO.
 4. Ms. Chan Sim Kuen is the spouse of Mr. Ma Hing Man. Ms. Chan Sim Kuen is deemed to be interested in the same number of Shares in which Mr. Ma Hing Man is deemed to be interested by virtue of Part XV of the SFO.
 5. Ms. Wu Yu Ling is the spouse of Mr. Ma Hing Ming. Ms. Wu Yu Ling is deemed to be interested in the same number of Shares in which Mr. Ma Hing Ming is deemed to be interested by virtue of Part XV of the SFO.
 6. Ms. Yung Ngan Sim is the spouse of Mr. Ma Yum Chee. Ms. Yung Ngan Sim is deemed to be interested in the same number of Shares in which Mr. Ma Yum Chee is deemed to be interested by virtue of Part XV of the SFO.
- * The percentage represents the number of the Shares interested divided by the number of issued Shares of 408,626,000 as at 30 September 2019.

Save as disclosed above, as at 30 September 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.

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

During 1H2019, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct governing the securities transactions by the Directors. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code throughout 1H2019. The Model Code also applies to other specified senior management of the Group in respect of their dealing in the Company's securities.

Corporate Governance and Other Information

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling Shareholders (as defined under the Listing Rules) or their respective close associates (as defined under the Listing Rules) (a) had interests in any business apart from the Group's business which competed or was likely to complete, either directly or indirectly, with the businesses of the Group and (b) had or might have any other conflicts of interest with the Group during 1H2019.

REVIEW BY AUDIT COMMITTEE

The audit committee of the board of Directors (the "Board" and the "Audit Committee", respectively) comprises three independent non-executive Directors with written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code, and reports to the Board. The Audit Committee has reviewed and discussed with the Board the unaudited condensed consolidated financial statements of the Group for 1H2019 (the "Condensed Consolidated Financial Statements") and this report. PricewaterhouseCoopers, as the Company's independent auditor, has reviewed the Condensed Consolidated Financial Statements in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

APPRECIATION

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

By Order of the Board

Wah Sun Handbags International Holdings Limited

Ma Hing Man

Chairman and Executive Director

Hong Kong, 25 November 2019

Report on Review of Condensed Consolidated Financial Statements



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 44, which comprises the interim condensed consolidated statement of financial position of Wah Sun Handbags International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 September 2019 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 November 2019

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Condensed Consolidated Income Statement

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	6	444,890	359,532
Cost of sales		(368,832)	(301,901)
Gross profit		76,058	57,631
Other income	6	8	6
Other gains, net	6	4,638	6,395
Selling and distribution expenses		(19,709)	(18,124)
Administrative expenses		(23,944)	(23,548)
Provision for impairment of trade receivables		(2,658)	(4,960)
Operating profit		34,393	17,400
Finance income		385	343
Finance costs		(2,535)	(2,215)
Finance costs, net	7	(2,150)	(1,872)
Profit before income tax	8	32,243	15,528
Income tax expenses	9	(6,684)	(282)
Profit for the period attributable to owners of the Company		25,559	15,246
		HK cents	HK cents
Basic and diluted earnings per share for profit attributable to owners of the Company	11	6.3	3.7

The notes on pages 24 to 44 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	25,559	15,246
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Currency translation differences	(815)	(1,154)
— Fair value change of financial asset at fair value through other comprehensive income	—	(242)
	(815)	(1,396)
Total comprehensive income for the period attributable to owners of the Company	24,744	13,850

The notes on pages 24 to 44 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	<i>Notes</i>	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	12	27,169	—
Land use rights		—	306
Property, plant and equipment	13	56,715	57,636
Financial asset at fair value through profit or loss	14	1,232	1,214
Deferred income tax assets		350	744
Deposits paid for plant and equipment	16	76	—
		85,542	59,900
Current assets			
Inventories	15	121,133	163,054
Trade receivables	16	201,566	134,992
Prepayments, deposits and other receivables	16	11,366	9,460
Current income tax recoverable		1,042	4,440
Pledged bank deposits	17	22,682	22,528
Cash and cash equivalents	17	87,457	92,668
		445,246	427,142
Total assets		530,788	487,042
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	4,086	4,086
Share premium	18	109,611	109,611
Exchange reserve		1,719	2,534
Capital reserve		21,656	21,656
Retained earnings		115,101	105,887
Total equity		252,173	243,774

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	<i>Notes</i>	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		592	705
Lease liabilities	12	25,294	—
		25,886	705
Current liabilities			
Trade and bills payables	19	200,363	200,886
Accruals and other payables	19	17,594	20,278
Current income tax liabilities		5,983	4,096
Borrowings	20	10,653	17,303
Lease liabilities	12	1,791	—
Dividend payable		16,345	—
		252,729	242,563
Total liabilities		278,615	243,268
Total equity and liabilities		530,788	487,042

The notes on pages 24 to 44 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Share capital HK\$'000 <i>(Note 18)</i>	Share premium HK\$'000 <i>(Note 18)</i>	Exchange reserve HK\$'000	Capital reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2018 (Audited)	4,086	109,611	3,359	21,656	—	69,303	208,015
Comprehensive income							
Profit for the period	—	—	—	—	—	15,246	15,246
Other comprehensive loss							
Currency translation difference	—	—	(1,154)	—	—	—	(1,154)
Fair value change of financial assets of fair value through other comprehensive income	—	—	—	—	(242)	—	(242)
Total comprehensive income/(loss)	—	—	(1,154)	—	(242)	15,246	13,830
2017/18 final dividend (Note 10)	—	—	—	—	—	(4,086)	(4,086)
As at 30 September 2018 (Unaudited)	4,086	109,611	2,205	21,656	(242)	80,463	217,779
As at 31 March 2019 (Audited)	4,086	109,611	2,534	21,656	—	105,887	243,774
Comprehensive income							
Profit for the period	—	—	—	—	—	25,559	25,559
Other comprehensive loss							
Currency translation difference	—	—	(815)	—	—	—	(815)
Total comprehensive income/(loss)	—	—	(815)	—	—	25,559	24,744
2018/19 final dividend (Note 10)	—	—	—	—	—	(16,345)	(16,345)
As at 30 September 2019 (Unaudited)	4,086	109,611	1,719	21,656	—	115,101	252,173

The notes on pages 24 to 44 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash generated from/(used in) operations	11,016	(12,471)
Income tax paid	(1,171)	(2,031)
Net cash generated from/(used in) operating activities	9,845	(14,502)
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,849)	(12,717)
Increase in pledged bank deposits	(154)	(63)
Investment in a key management insurance contract	–	(1,439)
Interest received	385	343
Net cash used in investing activities	(3,618)	(13,876)
Cash flows from financing activities		
Proceeds from borrowings	9,490	7,577
Repayment of borrowings	(16,140)	(6,652)
Principal elements of lease payments	(1,488)	–
Repayment of finance lease obligations	–	(64)
Interest paid	(1,921)	(2,215)
Dividend paid	(127)	–
Net cash used in financing activities	(10,186)	(1,354)
Net decrease in cash and cash equivalents	(3,959)	(29,732)
Cash and cash equivalents at beginning of the period	92,668	108,900
Currency translation difference	(1,252)	(1,143)
Cash and cash equivalents at end of the period	87,457	78,025

The notes on pages 24 to 44 are an integral part of these Condensed Consolidated Financial Statements.

Notes to The Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

Wah Sun Handbags International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 May 2017 as an exempted limited liability company under Companies Law (Cap.22 Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room 9, 6/F., Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.

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

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

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

2. BASIS OF PREPARATION

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

Provision for impairment of trade receivables are separately disclosed in the condensed consolidated income statement for the six months ended 30 September 2019 in accordance with the requirement of HKFRS 9 with effect from 1 April 2018. Comparative information is amended to align the presentation.

Notes to The Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

The accounting policies applied to this condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2019 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

- (a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 April 2019 and currently relevant to the Group:

Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies for leases with effect from 1 April 2019 following the adoption of HKFRS 16 “Leases” (“**HKFRS 16**”) as disclosed in Note 3 below. All other amendments to standards and interpretation listed above do not have a significant effect on the Group’s accounting policies.

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 April 2019 and have not been early adopted by the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 (Revised), “Definition of a business”	1 April 2020
Conceptual Framework for Financial Reporting 2018	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 Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES

The following explains the impact of the adoption of HKFRS 16 on the Group's financial information.

The Group elected to adopt HKFRS 16 without restating comparatives as permitted under specific transitional provisions in the standard. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 31 March 2019, but are recognised in the opening statement of financial position on 1 April 2019.

(a) Adjustments recognised on the adoption of HKFRS 16

On the adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.3%.

	2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	9,384
Discounted using the lessee's incremental borrowing rate at the date of initial application	8,697
Less: short-term leases recognised on a straight-line basis as expense	(456)
Add: adjustments as a result of extension options	19,718
Lease liability recognised as at 1 April 2019	27,959
Of which are:	
Current lease liabilities	1,762
Non-current lease liabilities	26,197
	27,959

Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on the adoption of HKFRS 16 (Continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Right-of-use assets recognised upon the date of initial application were measured at the amount equal to the lease liabilities.

Land use rights previously presented as a separate item on the consolidated statement of financial position is grouped as part of right-of-use assets with effect from 1 April 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019 HK\$'000	1 April 2019 HK\$'000
Land under non-cancellable operating leases	26,885	27,959
Land use rights	284	306
Total right-of-use assets	27,169	28,265

Changes in accounting policies affected the following items in the consolidated statement of financial position on 1 April 2019:

Consolidated statement of financial position (extract)	31 March 2019 (as originally presented) HK\$'000	Effects of the adoption of HKFRS 16 HK\$'000	1 April 2019 (Restated) HK\$'000
Non-current assets			
Right-of-use assets	—	28,265	28,265
Land use rights	306	(306)	—
Current liabilities			
Lease liabilities	—	1,762	1,762
Non-current liabilities			
Lease liabilities	—	26,197	26,197

Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on the adoption of HKFRS 16 (Continued)

(i) *Impact on segment disclosures and earnings per share*

The impact on disclosure of segment and earnings per share are not significant.

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following recognition exemptions and practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- exempting operating leases for which the underlying assets are of low value
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”.

Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for

As a lessee

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 March 2019, leases of land were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option (if any).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received (if any);
- any initial direct costs; and
- restoration costs.

Notes to The Condensed Consolidated Financial Statements

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued) *As a lessee (Continued)*

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

Extension options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

4. ESTIMATES

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

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

5. SEGMENT INFORMATION

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

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

Notes to The Condensed Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Company is domiciled in Hong Kong. The revenue from customers in the United States of America for the six months ended 30 September 2019 are HK\$341,033,000 (for the six months ended 30 September 2018: HK\$228,532,000), the revenue from customers in Spain are HK\$26,129,000 (for the six months ended 30 September 2018: HK\$53,608,000), and the total revenue from customers in other countries are HK\$77,728,000 (for the six months ended 30 September 2018: HK\$77,392,000). For the purpose of classification, the geographical source of revenue is determined based on the destination of the goods delivered to customers. Revenues from the individual countries included in other countries are not material.

The non-current assets information below is based on the location of assets and excludes deposits paid for plant and equipment, financial asset at fair value through profit or loss and deferred income tax assets.

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Cambodia	67,477	39,712
The People's Republic of China (the "PRC")	15,016	16,609
Hong Kong	1,391	1,621
	83,884	57,942

Notes to The Condensed Consolidated Financial Statements

6. REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue:		
Sales of goods	444,890	359,532

Revenue of HK\$604,000 recognised during the six months ended 30 September 2019 was related to contract liabilities as at 31 March 2019.

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other income:		
Sundry income	8	6
Other gains, net:		
Net exchange gains	4,385	6,095
Fair value change of financial asset at fair value through profit or loss	18	–
Gain on sales of scrap materials	235	300
	4,638	6,395
	4,646	6,401

Notes to The Condensed Consolidated Financial Statements

7. FINANCE COSTS, NET

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Finance costs:		
– Interest expense on bank borrowings	(244)	(350)
– Interest expense on bills payables	(1,677)	(1,864)
– Interest expense on finance lease liabilities	–	(1)
– Interest expense on lease liabilities	(614)	–
	(2,535)	(2,215)
Finance income:		
– Interest income on bank deposits	385	343
Finance costs, net	(2,150)	(1,872)

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cost of raw materials consumed	210,957	183,042
Sub-contracting charges	74,804	44,284
Transportation and customs charges	18,093	16,313
Operating lease rental in respect of land and building	260	1,723
Employee benefit expense	87,372	76,764
Amortisation on land use rights	–	22
Depreciation on right-of-use assets	1,096	–
Depreciation on property, plant and equipment	4,617	4,387
Legal and professional fees	1,459	1,452

Notes to The Condensed Consolidated Financial Statements

9. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax:		
— Hong Kong profits tax	4,489	—
— Overseas taxation	1,950	302
	6,439	302
Deferred income tax	245	(20)
	6,684	282

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2019 (for the six months ended 30 September 2018: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to the Cambodia tax laws, Wah Sun HK Factory (Cambodia) Co., Ltd, one of the wholly-owned subsidiaries of the Group, is entitled to preferential tax treatment with full exemption from Cambodia corporate income tax for four financial years starting from 1 January 2015 to 31 December 2018 and Cambodia corporate income tax has been set at the rate of 20% effective from 1 January 2019.

10. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil).

A final dividend of HK4.0 cents per share for the year ended 31 March 2019 amounting to HK\$16,345,000 was approved at the annual general meeting of the Company held on 9 September 2019, and was paid on 29 October 2019.

Notes to The Condensed Consolidated Financial Statements

11. EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	25,559	15,246
Weighted average number of shares in issue (in thousands)	408,626	408,626
Basic earnings per share (HK cents)	6.3	3.7

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 30 September 2019 and 2018.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Rights-of-use assets:

	Land under non-cancellable operating leases <i>(Note)</i>	Land use rights	Total
As at 1 April 2019 (Audited)	—	—	—
Changes in accounting policies <i>(Note 3)</i>	27,959	306	28,265
As at 1 April 2019 (Restated)	27,959	306	28,265
Depreciation <i>(Note 8)</i>	(1,074)	(22)	(1,096)
As at 30 September 2019 (Unaudited)	26,885	284	27,169

Notes to The Condensed Consolidated Financial Statements

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Lease liabilities *(Note)*

	Total
As at 1 April 2019 (Audited)	—
Changes in accounting policies <i>(Note 3)</i>	27,959
As at 1 April 2019 (Restated)	27,959
Interest expense on lease liabilities <i>(Note 7)</i>	614
Payment of lease liabilities	(1,488)
As at 30 September 2019 (Unaudited)	27,085
Represents:	
Current portion	1,791
Non-current portion	25,294
	27,085

Note: As at 30 September 2019, the Group recognised right-of-use assets of HK\$26,885,000 and lease liabilities of HK\$27,085,000 in respect of a lease entered with a related party (Note 22(b)).

13. PROPERTY, PLANT AND EQUIPMENT

Net book value:	HK\$'000
As at 1 April 2018 (Audited)	45,666
Additions	20,082
Depreciation charge	(8,034)
Currency translation differences	(78)
As at 31 March 2019 (Audited)	57,636
Net book value:	HK\$'000
As at 1 April 2019 (Audited)	57,636
Additions	3,770
Depreciation charge	(4,617)
Currency translation differences	(74)
As at 30 September 2019 (Unaudited)	56,715

Notes to The Condensed Consolidated Financial Statements

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Financial asset at fair value through profit or loss		
– key management insurance contract	1,232	1,214

Valuation process

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

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

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

15. INVENTORIES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Raw materials	48,679	56,134
Work-in-progress	57,176	86,039
Finished goods	15,278	20,881
	121,133	163,054

The cost of raw materials consumed recognised as expense and included in “cost of sales” in the condensed consolidated income statement amounted to HK\$210,957,000 for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK\$183,042,000).

Notes to The Condensed Consolidated Financial Statements

16. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade receivables	211,646	142,414
Less: provision for impairment of trade receivables	(10,080)	(7,422)
Trade receivables, net <i>(Note)</i>	201,566	134,992
Deposits	1,089	1,149
Prepayments	6,452	1,893
Value-added tax recoverable	3,893	6,412
Other receivables	8	6
	11,442	9,460
Less: non-current portion		
Deposits paid for plant and equipment	(76)	—
Current portion	11,366	9,460

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

Note:

Trade receivables

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Within 30 days	63,565	52,714
31 to 60 days	62,964	34,578
61 to 90 days	56,957	28,432
Over 90 days	28,160	26,690
	211,646	142,414

Notes to The Condensed Consolidated Financial Statements

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Cash at bank	84,607	88,974
Cash on hand	2,850	3,694
Cash and cash equivalents	87,457	92,668
Pledged bank deposits	22,682	22,528
Cash and bank balances	110,139	115,196
Maximum exposure to credit risk	107,289	111,502

As at 30 September 2019, pledged bank deposits of HK\$22,682,000 (31 March 2019: HK\$22,528,000) were held at bank securing bank facilities and bank borrowings. Pledged bank deposits are deposited with a creditworthy bank with no recent history of default.

As at 30 September 2019 and 31 March 2019, the pledged bank deposits are denominated in both US\$ and HK\$.

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

Notes to The Condensed Consolidated Financial Statements

18. SHARE CAPITAL AND SHARE PREMIUM

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

Authorised share capital:

	Number of Share	Nominal value of ordinary shares HK\$'000
As at 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	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
As at 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	408,626,000	4,086	109,611

Notes to The Condensed Consolidated Financial Statements

19. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade payables	98,790	104,866
Bills payables	101,573	96,020
Trade and bills payables <i>(Note)</i>	200,363	200,886
Accruals and other payables		
— Accrued salaries	9,828	11,529
— Other accruals and payables	7,691	8,145
— Contract liabilities	75	604
	17,594	20,278
	217,957	221,164

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

Note:

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Within 30 days	46,239	78,976
31 to 60 days	34,613	34,787
61 to 90 days	78,209	64,858
Over 90 days	41,302	22,265
	200,363	200,886

Notes to The Condensed Consolidated Financial Statements

20. BORROWINGS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Bank borrowings	10,653	17,303

During the six months ended 30 September 2019, the Group obtained new borrowings in aggregate amount of HK\$9,490,000 and repaid borrowings in aggregate amount of HK\$16,140,000. As at 30 September 2019, the weighted average interest rates of the bank borrowings were 4.85% (31 March 2019: 3.81%).

21. COMMITMENTS

(a) Capital commitments

As at 30 September 2019, capital expenditure contracted for but not yet incurred are as follows:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Property, plant and equipment	178	2,178

(b) Operating lease commitments as lessee

The Group leases offices and land which are non-cancellable with remaining lease terms within 1 year. The lease expenses charged to the condensed consolidated income statement are disclosed in Note 8 to the Condensed Consolidated Financial Statements.

Notes to The Condensed Consolidated Financial Statements

21. COMMITMENTS (CONTINUED)

(b) Operating lease commitments as lessee (Continued)

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
No later than 1 year	228	3,432
Later than 1 year and no later than 5 years	–	5,952
	228	9,384

22. RELATED PARTY TRANSACTIONS

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

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

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

Notes to The Condensed Consolidated Financial Statements

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

During the six months ended 30 September 2019, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Rental expenses paid or payable to related parties		
– Ms. Dong Yan (<i>Note</i>)	1,488	1,488
– Ms. Ma Lan Chu and Ms. Yung Ngan Sim	144	144
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	84	84
	1,716	1,716

Note: As at 30 September 2019, the Group recognised right-of-use assets and lease liabilities (Note 12) in respect of the lease entered with this related party.

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries, bonus and other allowances	5,026	4,296
Retirement benefit costs		
– Mandatory Provident Fund Scheme	76	78
	5,102	4,374

23. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2019 and 31 March 2019.

24. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Financial Statements were approved and authorised for issue by the Board on 25 November 2019.