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 Annual Report

Contents

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

AUTHORISED REPRESENTATIVES

Mr. Ma Hing Ming
Mr. Yeung Lee Fai

LEGAL ADVISER AS TO HONG KONG LAW

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
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

COMPANY'S WEBSITE

www.wahsun.com.hk

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

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

2683

Board Lot

2,000 shares

Chairman's Statement

Chairman's Statement

Ma Hing Man
Chairman and Executive Director

Chairman's Statement

On behalf of the board of directors of Wah Sun Handbags International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**", the "**Directors**" and the "**Board**", respectively), I am pleased to present the audited consolidated financial statements of the Group for the year ended 31 March 2020 ("**this Year**" and the "**Consolidated Financial Statements**", respectively).

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

BUSINESS REVIEW

The Group's revenue slightly decreased by approximately HK$3.3 million or 0.4% to approximately HK$756.2 million for this Year from approximately HK$759.5 million for the year ended 31 March 2019 (the "**Year 2019**") mainly due to the international political gridlock, with the prolonged trade tensions between the United States of America (the "**US**") and the People's Republic of China (the "**PRC**" or "**China**", for the purpose of this annual report only, excluding The Hong Kong Special Administrative Region ("**Hong Kong**"), The Macau Special Administrative Region and Taiwan) and uncertainties surrounding Brexit continuing to cloud the performance of the global economy. Besides, the gradual economic slowdown in the PRC also dampened global business sentiment.

Those unfavourable factors as mentioned above have been partially relieved by (i) the benefit of duty-free and quota-free export of all goods (except arms and ammunition) to the US and member states of the European Union (the "**EU**") 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.

Chairman's Statement

The Group's sales were still predominantly made to North America, accounting for approximately 80% of total revenue for this Year (Year 2019: approximately 66%). The share of revenues from European customers has decreased by approximately 12% to approximately 12% for this Year when compared with that of Year 2019.

During this Year, we were able to maintain stability in revenue amid an uncertain macroeconomic environment. However, since the outbreak of the novel coronavirus disease (the "**COVID-19 Outbreak**") worldwide, certain governments of North America and the EU have taken emergency public health measures to contain the spread of the outbreak by, including but not limited to, imposing travel restrictions, prohibiting entry of foreigners and closing the premises of certain government and private practices except those premises providing essential services. Since early March 2020, the COVID-19 Outbreak has led to disruption to the consumer markets of North America and the EU which are the largest markets for our products. Some of the shipments to North America and EU have been deferred at the requests of the Group's customers in view of the COVID-19 Outbreak in their home countries. The operating environment of the Group has been adversely affected due to the COVID-19 Outbreak, and the revenue generated from those markets since then was disappointing.

Furthermore, having noted the measures from the government of Cambodia in response to the COVID-19 Outbreak in containing the coronavirus, we made the decision to support such measures put forward by the government of Cambodia and to temporarily suspend most of the production facilities of the Group in Cambodia starting from the end of March 2020.

From early May 2020, our production facilities of the Group in Cambodia steadily resumed its operation given that the COVID-19 Outbreak has gradually become under control in North America and the EU.

In mid-May 2020, the financial positions of two of the top five customers (the "**Relevant Customers**") which in aggregate accounted for approximately 34% of the total revenue of the Group for this Year, with major consumer markets located in North America, have continued to worsen and both of them have filed voluntary petitions for relief under the United States Bankruptcy Code in the United States Bankruptcy Court. One of the Relevant Customers sources its products from the Group through sourcing companies, and the other Relevant Customers procures its products from the Group directly under the original equipment manufacturer model, both of which intended to use the said petitions to stabilize their businesses and continue normal operations through restructuring. Under such situation, based on the latest information currently available to the Group, an additional provision for impairment of trade receivables, determined by way of the expected credit loss model, of approximately HK$34.4 million has been made and charged as an expense to the consolidated income statement of the Group for this Year.

Having regarded to the current status and development of the restructuring of the Relevant Customers, we are now closely negotiating with the Relevant Customers on more stringent revised sales and credit terms for future co-operation. As the negotiations for the resumption of business with the Relevant Customers are still ongoing and subject to finalization, it is expected that the progress of the resumption of operation of the Cambodia production facilities may be affected to a certain extent and therefore, it is likely to have a negative impact on the Group's financial results in the short term.

In response to the difficult business environment, we have executed a series of cost control measures, including but not limited to, actively negotiating with landlords for rental reductions and seeking for more favourable terms with suppliers and business partners. Consents for rent reductions have been obtained for some of the offices and land occupied by the Group from landlords with 50% rental reductions for the six-month period from April 2020 to September 2020. In addition, following the sharp fall of revenue due to the COVID-19 Outbreak, all executive Directors have taken the lead in reducing their monthly salaries by 50% temporarily from 1 April 2020. At the same time, staff salaries will also be adjusted to reflect the current market conditions. We shall continue to monitor the market conditions closely and adjust the Group's corresponding strategies in a timely manner as necessary and appropriate.

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 this Year. With the COVID-19 Outbreak which has brought and may continue to bring negative impact to the business of the Group, going forward, we decided to defer the remaining expansion plan in Cambodia and we shall reconsider to 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. Accordingly, the Board considered that it to be appropriate to apply the unutilised amount of the net proceeds from the initial public offering originally allocated for the remaining expansion plan in Cambodia of HK$12.9 million to working capital thereby improving liquidity and reducing the finance cost of the Group through the repayment of part of the short-term borrowings. Further details of this are set out in the announcement of the Company dated 25 March 2020.

Since some of our customers designate suppliers of raw materials that we are mandated to use in manufacturing their products, we are able to benefit from our production facilities in China, which are in close proximity to our suppliers mostly located in the PRC.

Going forward, our production facilities in the PRC will continue to provide procurement support to our production facilities in Cambodia and primarily responsible for non-manufacturing functions such as order management and product development. Through the strategic structuring of our manufacturing facilities, we are able to benefit from both the extensive supply of manufacturing workers at low labour cost in Cambodia and close proximity to raw materials sources in the PRC to conveniently source a stable supply of high-quality raw materials. We believe that this collective network of support enables our Group to maintain a cost-effective business model.

INDUSTRY OVERVIEW

During this Year, the global handbags market was 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' behaviour 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.

Besides, the gradual recovery of the global economy in recent years was accompanied by the growth of gross domestic product ("**GDP**") and per capita disposable income in developed countries. The recovery of the economy in developed countries plays an important role in increasing the purchasing power of consumer goods, which is expected to further develop Cambodia's non-leather handbag OEM industry as Cambodia is one of the key non-leather handbag manufacturing bases.

Chairman's Statement

Along with the "phase one" US-China trade deal and plentiful global liquidity, these measures should help emerging market growth to make a partial recovery. Nevertheless, downside idiosyncratic risks will abound. Intensified US-China competition and occasional confrontation are expected to continue to feature prominently in upcoming financial year. The downside risk is further increased due to the COVID-19 Outbreak worldwide.

The increasing headwinds will be challenging and we shall continue to monitor the latest market environment to thoughtfully manage our risk exposures.

THE MACROSCOPIC ENVIRONMENT

Temporary withdrawal of trade preferences by the EU effective from 12 August 2020 if no objection is received from the European Parliament and the Council of the EU

Established in 2001, Everything But Arms (the "**EBA**") gives 49 of the world's poorest countries (the "**Least Developed Countries**"), including Cambodia, duty-free access to the EU markets. Pursuant to the EBA scheme, which is part of the EU's Generalised Scheme of Preferences (the "**EU GSP**") programme, it allows vulnerable developing countries to pay fewer or no duties on exports to the EU, giving them vital access to the EU markets and contributing to their growth. The EBA scheme unilaterally grants the world's Least Developed Countries duty-free and quota-free access to the EU for all products (except arms and ammunition), as defined by the United Nations (the "**UN**").

The regulations of the EU GSP provide that trade preferences may be suspended in case of "serious and systematic violation of principles" laid down in the human rights and labour rights. The conditions and the procedures of the temporary withdrawal of tariff preferences are described in Article 19 of the EU GSP. The possibility of temporary, full, or partial withdrawal is foreseen in the event of serious and systematic violations of 15 core UN and International Labour Organisation (the "**ILO**") Conventions.

In November 2019, the EU Commission submitted to Cambodia, in accordance with Article 19(7) of the regulations of the EU GSP, a report on its findings and conclusions (the "**Finding Report**"). The Finding Report was based on the body of evidence gathered by the EU Commission up to 31 October 2019 concerning in respect of the principles laid down in the four core human and labour rights under the UN/ILO conventions, including evidence and information submitted by Cambodia and by the third parties to the procedures.

Given the facts and consideration described in the Finding Report, the nature of the rights infringed, and the duration, scale and the impact of Cambodia's actions and omission, the EU Commission finds serious and systematic violations by Cambodia of the principle laid down in Articles 19, 21, 22 and 25 of the International Covenant on Civil and Political Rights (1996).

On 12 February 2020, having considered Cambodia's comments and views on the Finding Report in December 2019, the EU Commission decided that the preferential arrangement granted to Cambodia for certain products, including handbags, originating in Cambodia should be withdrawn temporary until it is decided that the reasons for justifying the withdrawal no longer apply. Unless the European Parliament and the Council of the EU object, this will take effect on 12 August 2020. Sales to EU region represented approximately 12% of total revenue recorded for this Year.

The potential implication arising from the temporary withdrawal of trade preferences by the EU, which may potentially adversely affect our revenue and profitability, is being actively monitored.

Having said that, we believe that Cambodia is still expected to remain one of the preferred manufacturing locations for our customers from the European markets due to the relatively low labour costs of Cambodia when compared with some of the Southeast Asian countries. Besides, we consider that competition in the handbag OEM industry is based on various factors, including quality of products, product development and price. With our experienced management team, long-standing history and good reputation in the industry, well established quality control system and stable business relationship with our customers, it offers us a competitive advantage over our competitors.

The extension of the Generalised System of Preferences program of US (the "US GSP") is subject to re-authorization by the US Congress upon expiration on 31 December 2020

The US GSP is a trade program of the US designed to promote economic growth in developing countries by providing preferential duty-free entry for up to 5,000 products to designated states and territories. The US GSP is not a trade agreement, but rather a benefit offered to less economically developed countries, allowing these countries to increase and diversify their trade with the US.

Under the US GSP program, all eligible goods to the US from all beneficiary countries and territories under the program including Cambodia are exempted from import tariffs.

On 23 March 2018, Donald John Trump, the president of the US, signed the omnibus spending bill that includes the extension of the US GSP programme for three years covering the period from 1 January 2018 to 31 December 2020.

Accordingly, Cambodia may be subject to non-preferential duties from 1 January 2021 if the US Congress has not re-authorised its renewal of the US GSP program before expiration, although the US GSP program had been renewed as a normal practice in the US historically.

Chairman's Statement

PROSPECT

Looking ahead, the COVID-19 Outbreak is expected to continue to create unprecedented risks and challenges to the global economy. The business environment in North America as well as the majority of other countries will become very challenging, severely impacting various businesses and industries. Together with Brexit uncertainties, social unrest in different countries as well as geopolitical and trade tensions, all will continue to weigh heavily on the global economy.

With various adversities and challenges in the current market conditions, the Group's operations in upcoming financial year ahead will inevitably be impacted. The Group will continue to focus and rely on its competitive advantage over our competitors and strong financial fundamentals to mitigate the impact arising from various macroeconomic challenges.

Finally, I would like to express my heartfelt gratitude to our colleagues, customers, shareholders of the Company (the "**Shareholders**") and suppliers for their relentless and continuous support for the Group, and to our fellow Directors, management and staff for their commitment and valuable contributions.


Ancillary office in Cambodia


Production base in Cambodia

Ma Hing Man
Chairman and Executive Director

Hong Kong, 22 June 2020

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			
	2020		2019	
	HK$'000	**%**	HK$'000	%
Cambodia	**678,234**	**89.7**	606,036	79.8
Dongguan, the PRC	**77,918**	**10.3**	153,419	20.2
	756,152	**100.0**	759,455	100.0

The Group's revenue decreased to approximately HK$756.2 million for this Year from approximately HK$759.5 million for Year 2019, representing a decrease of approximately 0.4%.

The Group recorded the decrease of revenue from the European customers by approximately HK$90.0 million during this Year from approximately HK$184.1 million for Year 2019 to approximately HK$94.1 million for this Year.

However, such decrease has been alleviated by an increase of revenue from customers in North America by approximately HK$100.3 million during this Year from approximately HK$504.3 million for Year 2019 to approximately HK$604.6 million this Year. This was mostly driven by Cambodia's favourable trade 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.

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 76% of the total revenue for this Year, with sales to the largest customer accounting for approximately 20% 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.

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	
	2020	2019
Revenue (HK$'000)	**756,152**	759,455
Quantities sold (Unit'000)	**12,663**	14,067
Average selling price (HK$/Unit)	**59.7**	54.0

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 consisted 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$627.8 million for this Year from approximately HK$625.3 million for Year 2019, representing an increase of approximately 0.4%.

The Group's cost of sales increased while the Group's revenue decreased during this Year. This was mainly due to the competitive prices offered to the customers in order to procure new orders and further expand our market share while such detriment has been partially alleviated by the planned increase in the sales of products manufactured in Cambodia to approximately 89.7% of the total revenue for this Year from approximately 79.8% for Year 2019 in order to enjoy the lower labour cost and the economies of scale in Cambodia.

Gross profit

With the factors as mentioned above, the Group's gross profit decreased to approximately HK$128.3 million for this Year from approximately HK$134.1 million for Year 2019, representing a decrease of approximately 4.3%.

Other gains, net

The Group's other gains primarily consisted of (i) net exchange gains of HK$6.5 million (Year 2019: HK$7.9 million) mainly arising from the depreciation of Renminbi ("**RMB**") against Hong Kong dollar ("**HK$**"); and (ii) gain on sales of scrap materials of HK$0.6 million (Year 2019: HK$0.4 million).

Selling and distribution expenses

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

Selling and distribution expenses decreased to approximately HK$32.2 million for this Year from approximately HK$39.5 million for Year 2019, representing a decrease of approximately 18.4%. The decrease was primarily due to the decrease in transportation and customs charges as a result of the decrease in sales and our effort of cost control.

Administrative expenses

The Group's administrative expenses primarily consisted 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$50.2 million for this Year from approximately HK$48.7 million for Year 2019, representing an increase of approximately 2.9%.

Provision for impairment of trade receivables

The Group's provision for impairment of trade receivables increased by HK$29.1 million from approximately HK$5.3 million for Year 2019 to approximately HK$34.4 million for this Year. The increase was primarily due to the deterioration of the financial positions of the Relevant Customers in North America, which in aggregate accounted for approximately 34% of the total revenue of the Group for this Year, have filed voluntary petitions for relief under the United States Bankruptcy Code in the United States Bankruptcy Court. Under such circumstances, based on the latest information made available to the Board as at the date hereof, an additional provision for impairment of trade receivables, determined by way of the expected credit loss model, of approximately HK$34.4 million has been made and charged as an expense to the consolidated income statement of the Group for this Year.

Finance costs, net

Net finance costs increased by approximately HK$0.2 million or approximately 6.5% from approximately HK$3.8 million for Year 2019 to approximately HK$4.0 million for this Year.

The increase was mainly due to an increase in interest expense on lease liabilities of approximately HK$1.2 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 decreased by approximately HK$0.7 million or approximately 15.1% from HK$4.3 million for Year 2019 to approximately HK$3.7 million for this Year.

The decrease was mainly due to the decrease in the assessable profit for this Year. Our effective tax rate increased from 9.6% for Year 2019 to 24.9% for this Year. The increase in effective tax rate for this Year when compared with that of Year 2019 was mainly due to the result of the 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.

Management Discussion and Analysis

Profit for the Year

As a result of the foregoing and in particular the provision of impairment of trade receivables, profit for this Year decreased by approximately HK$29.6 million or 72.7% to approximately HK$11.1 million for this Year from approximately HK$40.7 million for Year 2019.

Our net profit margin decreased from 5.4% for Year 2019 to 1.5% for this Year, which was mainly due to (i) the decrease in gross profit margin from 17.7% for Year 2019 to 17.0% for this Year; and (ii) the increase in the provision for impairment of trade receivables by approximately HK$29.1 million.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and pledge of assets

As at 31 March 2020, the Group had bank borrowings of approximately HK$4.0 million (31 March 2019: approximately HK$17.3 million).

Bank borrowings were secured by bank deposits of approximately HK$23.4 million (31 March 2019: approximately HK$22.5 million) as at 31 March 2020.

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$, the management of the Company (the "**Management**") considers that the foreign exchange risk on US$ to the Group is minimal. The Group's exposure to foreign exchange risk is primarily with respect to RMB.

As at 31 March 2020, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group, and therefore, the Group did not have any hedging activities during the Year.

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 2020, the Group had cash and cash equivalents of approximately HK$84.5 million (31 March 2019: approximately HK$92.7 million). The Group's current ratio, gearing ratio and net debt to equity ratios are as follows:

	31 March 2020	31 March 2019
Current ratio	**2.3**	1.8
Gearing ratio	**1.7%**	7.1%
Net debt to equity ratio	**Net cash**	Net cash

Current ratios are calculated based on the total current assets dividend 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 2020, the Group employed a total of 4,655 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 this Year, the staff costs (including Directors' emoluments) amounted to approximately HK$161.2 million (Year 2019: approximately HK$161.1 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

Employee and remuneration policy (Continued)

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 2020.

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 Group did not have other plans for material investments and capital assets as at 31 March 2020.

Capital commitments

As at 31 March 2020, the Group had capital expenditure contracted for but not yet incurred 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 31 March 2020, the Group did not have any significant contingent liabilities (31 March 2019: Nil).

Important Events after the reporting period

Save as (i) most of the production facilities of the Group have been temporarily suspended during the period from April to May 2020 in response to the impact of COVID-19; and (ii) the Relevant Customers have filed voluntary petitions for relief under the United States Bankruptcy Code in the United States Bankruptcy Court in mid May 2020, there have been no 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 HK1.0 cent per ordinary Share (Year 2019: HK4.0 cents per ordinary Share) and a special dividend of HK1.0 cent per ordinary Share (Year 2019: Nil) this Year.

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 took 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.

General Overview of the Country of Cambodia

According to Transparency International, the Corruption Perception Index of Cambodia stayed at 20 in 2019, which is a low score to reflect the corruption issue in the country. Therefore, investors are expected to face corruption issues while doing businesses in Cambodia despite an 'Anti-Corruption Law' was enacted in 2010 that indicates the government is trying to deal with the issue.

Foreign Relations

The European Union's threatened trade sanctions

EU is Cambodia's largest trading partner, accounting for 45% of its total export in 2018. Exports from Cambodia to EU reached Euro 5.4 billion in 2018, more than double that of Euro 2.5 billion recorded in 2013. 95.7% of these exports entered the EU market under EBA tariff preference (i.e. Euro 5.2 billion out of the total Euro 5.4 billion). The majority of Cambodian exports to the European Union consist of garments (74.2%), which are followed by footwear (12.6%), bicycles (5.7%) and rice (3%).

The 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 the 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 would then followed by another half-year period for the European 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.

On 12 February 2020, the European Commission decided to withdraw part of the tariff preferences granted to Cambodia under the EU's Everything But Arms' (EBA) trade scheme. According to the European Commission, in order to mitigate the negative impact on Cambodia's overall industrial development, bicycles and garment products with higher added value will still enjoy the preferential tariff treatment. If the European Parliament and the European Council do not object to the decision, it will take effect on 12 August 2020.

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 ("**BRI**"). 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.

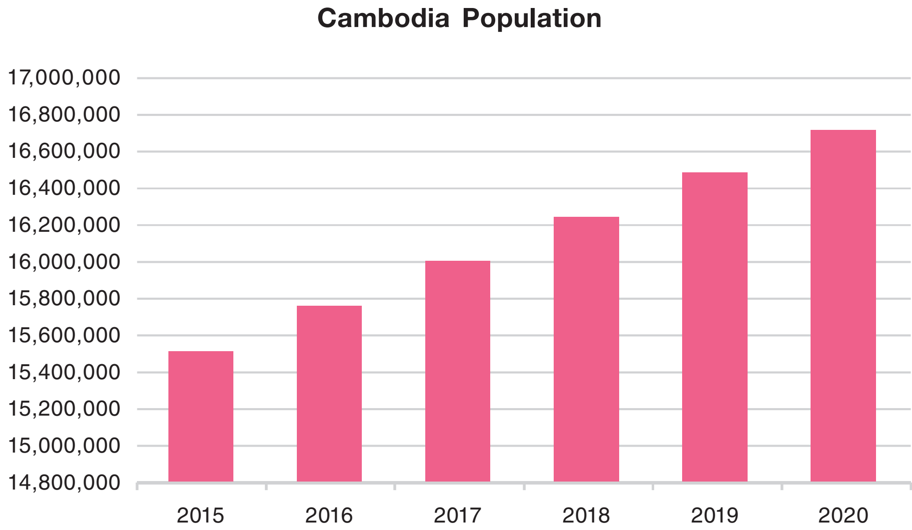
The Special Economic Zone ("**SEZ**") will provide companies with ready access to land, infrastructure, and other services to help them set up and operate businesses. The SEZ has been playing an important role to strengthen Cambodia-China collaboration under the framework of the BRI. In the future, the 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 BRI. 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, which posted a big challenge to Cambodia.

General Overview of the Country of Cambodia

OVERVIEW OF SOCIAL ENVIRONMENT

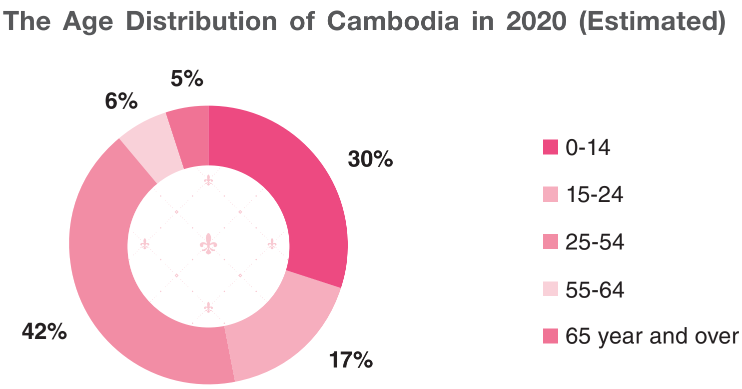
Demography



Note: Figure of 2020 is predicted
Source: Worldometers

The population of Cambodia is expected to reach 16,718,965 in 2020, rising gradually since 2015 with a compound annual growth rate ("**CAGR**") of 1.25%.

The age distribution



Source: CIA World Factbook

In 2020, 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 almost 90% of the population mix.

General Overview of the Country of Cambodia

The Ratio of Gender Population

Year	2016	2017	2018	2019	2020 (Forecast)
Gender Population Ratio (Female)	50.93%	51.27%	51.25%	51.23%	50.91%
Gender Population Ratio (Male)	49.07%	48.73%	48.75%	48.77%	49.09%

Source: National Institute of Statistics, Government of Cambodia

The gender composition of population remains pretty much unchanged from 2016 to 2020 (forecast). The number of females slightly exceeds that of males throughout the period.

Net Enrolment Rate in Education Segment

Year	2015	2016	2017	2018	CAGR (2015–2018)
Net Enrolment Rate in Pre-Primary School	17.36%	18.51%	20.09%	22.79%	7.04%
Net Enrolment Rate in Primary School	95.27%	92.76%	90.54%	90.27%	-1.34%
Net Enrolment Rate in Tertiary Education	13.14%	—	13.13%	13.69%	1.03%

Note: Figure of 2019 is currently not available as at the date of this report
Source: United Nations Educational, Scientific and Cultural Organization

The net enrolment rate in pre-primary school increased from 17.36% in 2015 to 22.79% in 2018. As a whole, it showed an upward trend with a CAGR of 7.04%. However, the net enrolment rate in primary school decreased from 95.27% in 2015 to 90.27% in 2018. Overall, it fell slightly with a CAGR of -1.34%. On the other hand, the net enrolment rate in tertiary education slightly increased to 13.69% in 2018 with a CAGR of 1.03%.

Literacy Rate

Year	2018	2019	2020 (Forecast)	2021 (Forecast)	2022 (Forecast)	2023 (Forecast)	CAGR (2014–2018)
Literacy Rate (15–45) (%)	82.5%	83.6%	84.7%	85.8%	86.9%	88.0%	1.04%

Source: National Strategic Development Plan 2019–2023

Throughout 2018 to 2023 (Forecast), the literacy rate of Cambodia between the ages of 15 to 45 increased steadily year on year at a CGAR of 1.04%.

OVERVIEW OF THE INVESTMENT ENVIRONMENT

Foreign Direct Investment

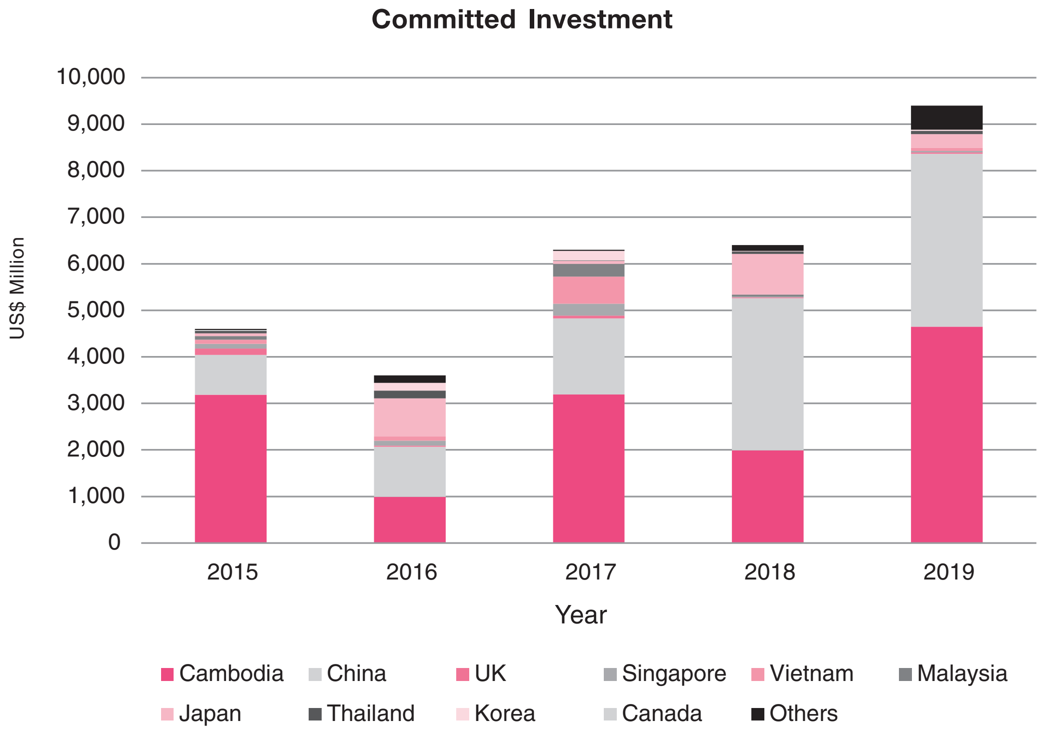
According to Bank of Santander, sound macroeconomic policies, political stability, regional economic growth, and an open investment market have been contributing to the dramatic growth of Cambodia's Foreign Direct Investment ("**FDI**") in the past few years. The investment amount increased from US$2.7 billion in 2017 to US$3.1 billion in 2018. As reported by United Nations Conference on Trade and Development, the total FDI stock amount reached US$34.03 billion in 2019, equivalent to 96.8% 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.

The construction industry draws the largest portion from foreign investors, followed by infrastructure, industry (primarily textiles), agriculture and tourism. China has 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 US$65 million.

The 246-megawatt Stung Tata Hydropower Plant in the Koh Kong province has been funded with US$1.4 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.

General Overview of the Country of Cambodia

Committed Investment



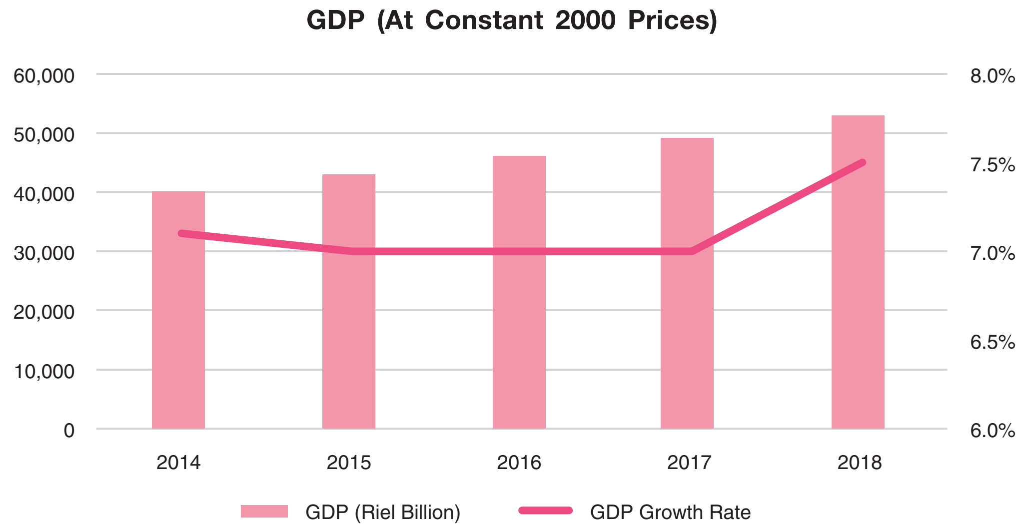
Source: The Council for the Development of Cambodia

The committed investments of Cambodia rose 204% from US$4,600 Million in 2015, to US$9,400 Million in 2019. 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 53% of total investments followed by the tourism sector 41% and the agriculture sector 6%.

General Overview of the Country of Cambodia

OVERVIEW OF CAMBODIA'S ECONOMY

GDP



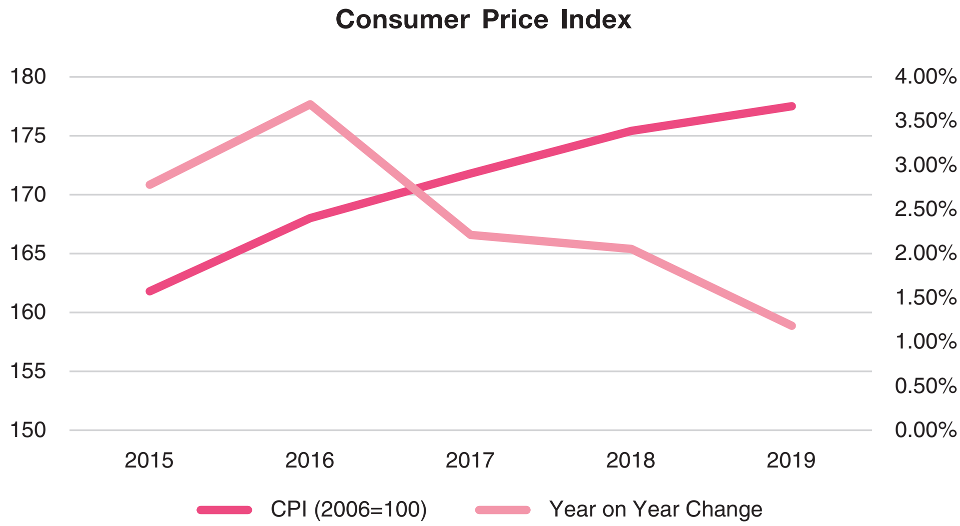
Note: Figure of 2019 is currently not available as at the date of this report
Source: National Bank of Cambodia

During the period from 2014 to 2018, Cambodia's GDP grew between 7.1% to 7.5%.

According to Asian Development Bank, the GDP of Cambodia is expected to grow by 7.0% in 2019 and 6.8% in 2020. The growth is possibly attributed to the massive inflow of Chinese investment in infrastructure projects on the back of the BRI, 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 161.8 in 2015 to 177.5 in 2019 at a CAGR of 1.9%. The CPI stayed between 2% and 3% from 2015 to 2018, and reduced to 1.2% in 2019 as illustrated by the graph above.

Exchange Rate

Since 2011, US$ against Riel has been floating between a narrow range of 1 US$: Riel3,900 to 1 US$: Riel4,100. Unlike other Southeast Asian countries such as Vietnam, Malaysia and Indonesia, its local currency has remained stable in recent years.

Trade Balance

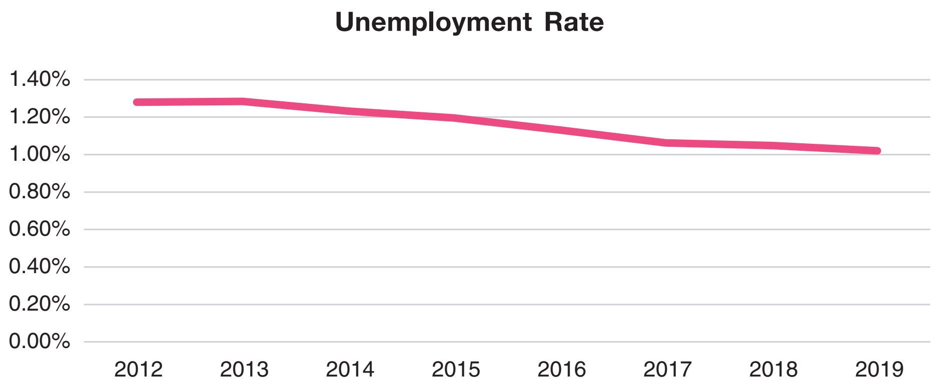
Source: National Bank of Cambodia

Cambodia has been facing a long-term trade deficit on goods but trade surplus on services. Although export of goods boosted significantly from Riel32,985 billion in 2014 to Riel60,896 billion in 2019 and Riel48,539 billion in 2019, import of goods rose at a similar rate from Riel48,539 billion in 2014 to Riel90,344 billion in 2019. As a result, the deficit on balance on goods increased from Riel15,554 billion in 2014 to Riel29,448 billion in 2019, representing a CAGR at 15.67% from 2014 to 2019. On the other hand, net service credit balance increased from Riel6,973 billion in 2014 to Riel11,680 billion in 2019.

According to the National Bank of Cambodia Annual Report 2018, garment and foot wear are the major export goods of Cambodia, which accounted for approximately 66% and 8% of total export respectively. Imports rose by 21.3% from 9.8% in 2017. The increase in domestic demands for some product such as construction materials, vehicles and consumables goods combined with an increase in international crude oil prices and the demand of raw materials from abroad for export production (garment sector) were also the driving factors to the growth of total imports.

General Overview of the Country of Cambodia

Unemployment Rate

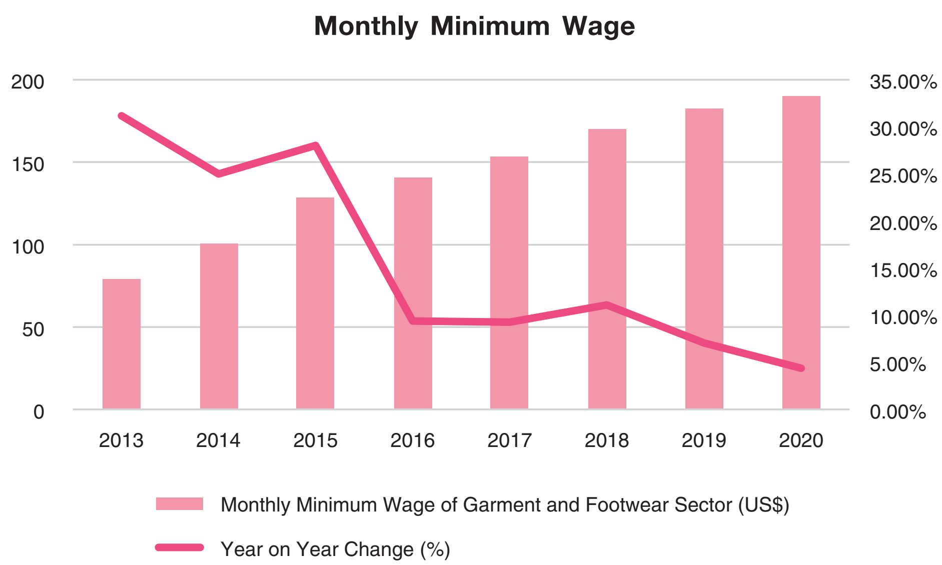


Source: World Bank (Unemployment, total (% of total labor force) (modeled ILO estimate) — Cambodia)

Cambodia has been enjoying an exceptionally low unemployment rate in the last decade. The unemployment rate of Cambodia keeps steady throughout 2012 to 2015 at about 1.2%. Then it slightly declines to 1.02% in 2019.

Minimum Wage

The diagram below illustrates monthly minimum wage from 2013 to 2020:

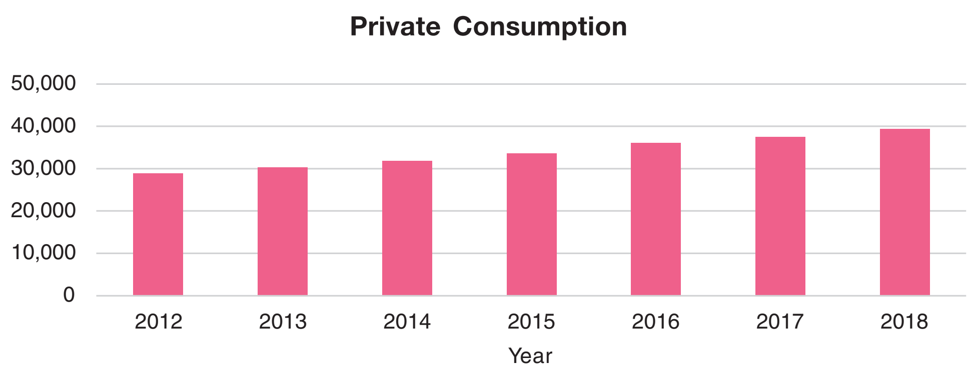


Source: Ministry of Labour and Vocational Training and International Labour Organization

Cambodia's monthly minimum wage increased significantly from US$80 in 2013 to US$128 per month in 2015 before starting to ease-off in 2016. The annual increment rate dropped significantly from around 31% in 2013 to 7% in 2019, and expected to reach 4% in 2020. At the meantime, the public holiday in 2020 is 22 days, which is less than the 30 days in 2019.

General Overview of the Country of Cambodia

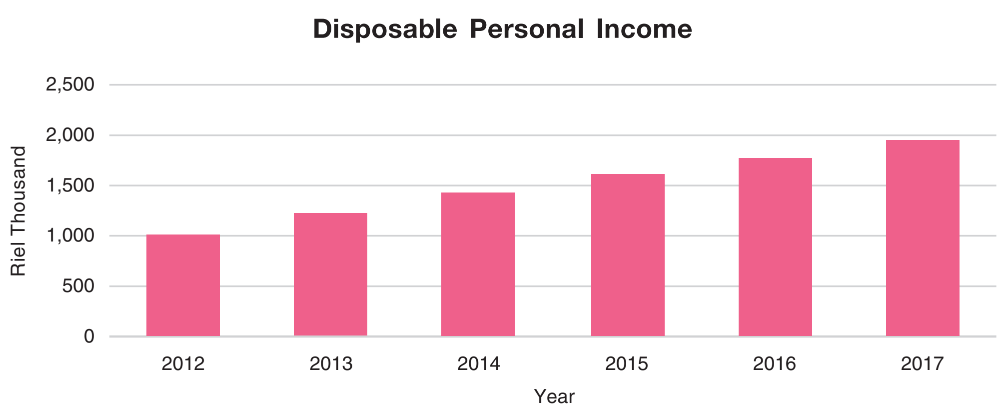
Private Consumption



Note: Figure of 2019 is currently not available as at the date of this report
Source: Trading Economics

The private consumption in Cambodia risen from Riel28,707.8 million in 2012 to Riel39,289.5 million in 2018, a steady CAGR of 5.37% is recorded over the seven-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



Note: Figures of 2018 and 2019 are currently not available as at the date of this report
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 a business operates in Cambodia, it will face corruption issues as in other Southeast Asian countries. Although EU wants to push Cambodia to 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 to benefit from the BRI. 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 in the minimum wage growth rate. Nevertheless, over 90% of Cambodians is under the 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 has been 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 reduces the foreign exchange rate risk to foreign investments.

In mid-2019, Cambodian government announced a total ban on the online gambling and the termination was effected at the midnight 31 December 2019. It is expected that the foreign investment and the tourism industry will be affected. Besides, the unemployment rate will increase as dozens of casinos have been closed. Since the termination was took effect on 31 December 2019, no official data is available to capture the effect of terminating online gambling as at the date of this report.

On 12 February 2020, the European Commission decided to withdraw part of the tariff preferences granted to Cambodia under the EBA trade scheme. A normal tariff will be imposed on common products except bicycles and garment products with higher added value which will take effect on 12 August 2020. It is expected that those export products that lose the EU preferential tariff status will face major challenges in the near future.

In conclusion, there are risks and opportunities for operating businesses in Cambodia. In spite of general issues that are found in other Southeast 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. However, EU's withdrawal of part of the tariff preferences granted will post a challenge. As at the date of this report, the Coronavirus Disease 2019 (COVID-19) has spread all over the world in the first quarter of 2020. Our analysis that primarily based on historical data might not capture the impact brought by COVID-19 on Cambodia, if any.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ma Hing Man (馬慶文), aged 62, 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 31 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 56, 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 31 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 65, 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 31 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 68, 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 31 years of experience in manufacturing and trading industry.

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 72, 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 31 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 66, 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 40 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 has been an independent non-executive director 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 (i) GCL New Energy Holdings Limited (formerly known as "Same Time Holdings Limited") (stock code: 451) from November 1997 to May 2014, and (ii) Southwest Securities International Securities Limited (stock code: 812) from November 2013 to September 2016, both companies being 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 an 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 64, was appointed as our INED on 2 January 2018. He is mainly responsible for supervising and providing independent advice to our Board.

He has been 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, 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 and an independent non-executive director of Da Sen Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1580), since 27 May 2020. He had 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 (now known as Cloud Copper Company 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 of the company since April 2014. 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 Public Accountants (formerly named as Hong Kong Society of Accountants) since June 1991.

Mr. Yeung Chi Wai (楊志偉), aged 59, was appointed as our INED on 2 January 2018. He is mainly responsible for supervising and providing independent advice to our Board.

Mr. Yeung has over 30 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 (stock code: 1146) since June 2011 and Golden Century International Holdings Group Limited (stock code: 91) since 6 April 2020, both companies being listed on the Main Board of the Stock Exchange. 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.

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 ("**HKICPA**") in 1989 and 1996, respectively. He is also a member of the Disciplinary Panel of the HKICPA. He has been a fellow member of the Association of Chartered Certified Accountants in England 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 Group.

Mr. Yeung Lee Fai (楊利輝), aged 37, was appointed as the chief financial officer of our Group and the company secretary of our 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 our Group.

Mr. Yeung has over 14 years of experience in auditing, accounting, finance and business advisory work. Before joining our 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 City University of Hong Kong. He is a certified public accountant (practising) in Hong Kong; a fellow member of the HKICPA and the Taxation of Institute of Hong Kong; an international associate member of Association of International Certified Professional Accountants; and a member of the Association of Chartered Certified Accountants in England.

Mr. Lee Chi Wing (李志榮), aged 52, 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 25 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 education at St. Lucas' College in 1984.

Ms. Ng Yuk Chun (吳玉珍), aged 49, 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 15 years of experience in business management. Prior to joining our Group, Ms. Ng worked in Fashion Concept Manufacturing Limited in Hong Kong (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.) in Hong Kong, 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 38, 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 of two multinational fashion chains and responsible for attending all business matters with the said multinational fashion chains.

Mr. Luk has over 11 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, please refer to 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 principal subsidiaries are set out in Note 17 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 sections headed "Chairman's Statement" set out on pages 4 to 12 of this annual report and "Management Discussion and Analysis" set out on pages 13 to 18 of this annual report.

RESULTS AND FINAL DIVIDEND AND SPECIAL DIVIDEND

The results of the Group for this Year are set out in the consolidated income statement on page 73 of this annual report.

The Board has resolved to recommend the payment of a final dividend of HK1.0 cent per Share (Year 2019: HK4.0 cents per Share) and a special dividend of HK1.0 cent per Share (Year 2019: Nil), amounting to an aggregate of approximately HK$8,172,000 for this Year (Year 2019: HK$16,345,000) (the "**Proposed Final Dividend And Special Dividend**") to the Shareholders whose names will appear on the register of members of the Company (the "**Register of Members**") on Wednesday, 14 October 2020.

The Proposed Final Dividend And Special Dividend is subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**2020 AGM**"). It is expected that the Proposed Final Dividend And Special Dividend would be paid to the Shareholders on Thursday, 29 October 2020.

ANNUAL GENERAL MEETING

The 2020 AGM is scheduled to be held on Monday, 7 September 2020. A notice convening the 2020 AGM will be issued and sent to the Shareholders in July 2020.

CLOSURE OF REGISTER OF MEMBERS

2020 AGM

For determining the Shareholder's entitlement to attend and vote at the 2020 AGM, the Register of Members will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020, 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 2020 AGM to be held on Monday, 7 September 2020, 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, 1 September 2020.

Proposed Final Dividend And Special Dividend

Conditional on the passing of the resolution approving the Proposed Final Dividend And Special Dividend by the Shareholders at the 2020 AGM, the Register of Members will be closed for determining the Shareholders' entitlement to the Proposed Final Dividend And Special Dividend from Friday, 9 October 2020 to Wednesday, 14 October 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to qualify for the Proposed Final Dividend And Special 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 Thursday, 8 October 2020.

USE OF NET PROCEEDS FROM THE LISTING

On 22 January 2018, the Shares in issue were initially listed on the Main Board of the Stock Exchange. 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.

With reference to the announcement of the Company dated 25 March 2020 (the "**Announcement**"), the use of Net Proceeds has been adjusted as follows: approximately 15.0% of the Net Proceeds in an amount of approximately HK$12.9 million, which represented the remaining balance not yet utilized at the date of the Announcement and were originally allocated for expansion of our production facilities in Cambodia as set out in item (i) below, will be re-allocated to general working capital of the Group. The table below sets out the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds (after the adjustment as stated in the Announcement) and the utilised and the unutilised amount of the Net Proceeds as at the date of this report.

	Original allocation of the Net Proceeds		Revised allocation of the Net Proceeds		Amount utilised (as at the date of this report)	Amount unutilised (as at the date of this report)
	HK$ million	% of Net Proceeds	HK$ million	% of Net Proceeds	HK$ million	HK$ million
Expansion of our production facilities in Cambodia	38.5	45.0%	25.6	30.0%	25.6	–
Leasing land and construction of production plant	21.4	25.0%	17.2	20.2%	17.2	–
Fitting out works	4.3	5.0%	2.2	2.6%	2.2	–
Purchasing production equipment	12.8	15.0%	6.2	7.2%	6.2	–
Establishing a product development team in Cambodia	12.8	15.0%	12.8	15.0%	7.1	5.7
Upgrading existing software and hardware	8.5	10.0%	8.5	10.0%	5.0	3.5
Refurbishment of the existing facilities	8.5	10.0%	8.5	10.0%	4.7	3.8
Installing showrooms in Dongguan and Cambodia	8.5	10.0%	8.5	10.0%	6.9	1.6
General working capital	8.5	10.0%	21.4	25.0%	21.4	–
	85.3	100.0%	85.3	100.0%	70.5	14.6

In particular,

(i) regarding the expansion of our production facilities in Cambodia, approximately HK$25.6 million has been used for constructing the production plant, fitting out works and purchasing production equipment to leverage the relatively low labour costs in Cambodia and lower overall production cost as planned;

(ii) regarding establishing a product development team in Cambodia, approximately HK$7.1 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$4.7 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 2020, 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 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$167,000 (Year 2019: HK$412,000).

SHARE CAPITAL

Details of the Shares issued are set out in Note 22 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 77 of this annual report.

As at 31 March 2020, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$214.3 million (Year 2019: HK$222.8 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 133 of this annual report.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2020 are set out in Note 25 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 of Hong Kong Limited (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) 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 Shares in issue on the date the 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 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 Shares in issue.

(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.

(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 the 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 the 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 the Shares first commences on the Stock Exchange, the offer price of the Shares for the global offering shall be deemed to be the closing price for any business day falling within the period before listing of the 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" of this annual report, 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 at the end of this Year or at anytime during this Year.

DIRECTORS

The Directors 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**")

Article 84 of the articles of association of the Company (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; and (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/herself for re-election.

Each of Mr. Ma Hing Ming, Ms. Ma Lan Chu and Mr. Yeung will retire at the 2020 AGM and all of them, being eligible, will offer themselves for re-election at the 2020 AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of the Directors and Senior Management as at the date of this annual report are set out on pages 31 to 35 of this annual report.

INDEPENDENCE OF THE INEDs

The Company has received, from each of the INEDs, an annual 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 an initial term and renewable automatically for successive terms of three years each commencing from the day next after the then current terms of the Director's appointment commencing on the Listing Date (subject to the approval from the Shareholders for re-election of the Director as a director of the Company in accordance with the requirement of the Listing Rules), 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 are appointed for a specific term of two years, subject to renewal after the expiry of the then current term.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save for the contracts described under the section headed "Connected 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 30 to the Consolidated Financial Statements. The related party transactions disclosed in Note 30 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 2020, 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 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%

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 dated 24 June 2017 (the "**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 2020.

(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%

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 the 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 2020, 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); or (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 March 2020, so far as is known to the Directors, the following entity or persons other than the Directors and chief executive of the Company, had interests or short positions in the Shares and 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 *(Notes 1 and 2)*	Beneficial owner	300,500,000	73.54%
Ms. Chan Sim Kuen *(Note 3)*	Interest of a spouse	300,500,000	73.54%
Ms. Wu Yu Ling *(Note 4)*	Interest of a spouse	300,500,000	73.54%
Ms. Yung Ngan Sim *(Note 5)*	Interest of a spouse	300,500,000	73.54%

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 the 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 2020.

Save as disclosed above, as at 31 March 2020, 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	11%
— five largest suppliers in aggregate	35%
Sales	
— the largest customer	20%
— five largest customers in aggregate	76%

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 owning 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 15 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.

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.

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 (the "**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 in respect of their dealings in the Company's securities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 4,655 employees (31 March 2019: 5,060). For this Year, the Group incurred employee benefit expense, including Directors' remuneration, of approximately HK$161.2 million (Year 2019: approximately HK$161.1 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 32 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 51 to 66 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 Audit Committee was established on 2 January 2018 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the INEDs, namely Mr. Wong, Mr. Lam and Mr. Yeung. Mr. Wong is the chairman of the Audit Committee.

The Audit Committee 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 2020 AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the 2020 AGM to re-appoint PricewaterhouseCoopers as the independent auditor of the Company (the "**Independent Auditor**").

There is no change of the Independent Auditor in any of the preceding three years 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, 22 June 2020

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 in all material respects 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 the Management if and when considered appropriate. The Management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

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

As at 31 March 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Corporate Governance Report

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and 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:

	Relationship with				
Name of Directors	**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 be a minimum of three and 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.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations 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 during 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 understanding of directors' 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:

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

A: attending training sessions/seminars/conferences/forums

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

Corporate Governance Report

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. The 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 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 three other additional meetings. 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.

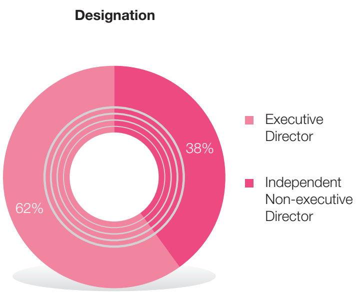
The attendance records of the Directors at Board meetings, Board committee meetings and the AGM held on 9 September 2019 (the "**2019 AGM**") during this Year are as follows:

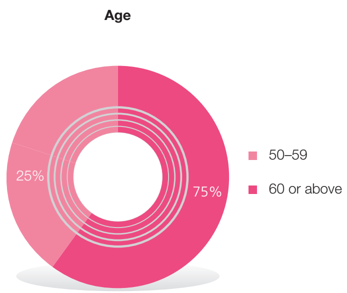
	Board Meetings		Board Committee Meetings				
	Regular	Others	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	2019 AGM
Executive Directors:							
Mr. Ma Hing Man *(Chairman)*	4/4	3/3	N/A	2/2	2/2	N/A	1/1
Mr. Ma Hing Ming *(Chief Executive Officer)*	4/4	3/3	N/A	2/2	2/2	N/A	1/1
Ms. Ma Lan Chu	4/4	3/3	N/A	N/A	N/A	N/A	1/1
Mr. Ma Yum Chee	3/4	3/3	N/A	N/A	N/A	N/A	0/1
Ms. Ma Lan Heung	4/4	3/3	N/A	N/A	N/A	N/A	0/1
INEDs:							
Mr. Lam	4/4	3/3	2/2	2/2	2/2	1/1	1/1
Mr. Wong	4/4	3/3	2/2	2/2	2/2	1/1	1/1
Mr. Yeung	4/4	3/3	2/2	2/2	2/2	1/1	1/1

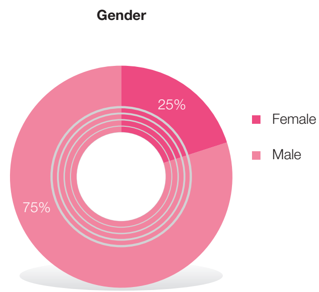
The Board held a meeting on 22 June 2020 and, amongst other matters, approved the Consolidated Financial Statements.

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;

(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 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. The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting process and internal control and risk management procedures of the Group, and to develop and review the policies and procedures for corporate governance and make recommendations to the Board.

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 the Management

The Audit committee held two meetings during this Year and a meeting on 22 June 2020 and, amongst other matters, considered and approved for presentation to the Board for consideration and approval (i) 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. The primary duties of the Nomination Committee are, among others, to review the structure, size, composition and diversity of the Board, assess the independence of the INEDs and make recommendations to the Board on matters relating to appointment and re-appointment of Directors.

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 two meetings during this Year and a meeting on 22 June 2020 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 2020 AGM.

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. The primary duties of the Remuneration Committee are, among others, to establish and review the policy and structure of the remuneration for the Directors and Senior Management and make recommendations on employee benefit arrangement.

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.

During the Year, the Remuneration Committee performed the following duties:

— made recommendations on the Company's policy and structure for all Directors' and Senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy

— reviewed the Management's remuneration proposals with reference to the Board's corporate goals and objectives

— determined, with delegated responsibility, the remuneration packages of individual Executive Directors and Senior Management

— made recommendations to the Board on the remuneration packages of individual Executive Directors and Senior Management

— determined the criteria for assessing employee performance, which should reflect the Company's business objectives and targets

The Remuneration Committee held two meetings during this Year and a meeting on 22 June 2020 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.

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 22 June 2020 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 an initial term and renewable automatically for successive terms of three years each commencing from the day next after the then current terms of the Director's appointment commencing on the Listing Date (subject to the approval from the Shareholders for re-election of the Director as a director of the Company in accordance with the requirement of the Listing Rules), 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 are appointed for a specific term of two years, subject to renewal after the expiry of the then current term.

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).

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 32 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:

Remuneration band (in HK$)	Number of individuals
Nil to 500,000	2
500,001 to 1,000,000	1
1,000,001 to 1,500,000	1

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:

	Fee paid/payable (in HK$'000)
Audit service — Annual audit	**1,480**
Review of interim results	**300**
	1,780

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 67 to 72 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.

(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 the 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 the 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.

(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 the Management. The Board/Audit Committee are of the view that there are no material internal control deficiencies 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 SFO and the Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

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

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, 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 73 to 132, which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- 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 2020, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

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

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, 3.1(b), 4(b) and 20 to the consolidated financial statements. As at 31 March 2020, the Group had gross trade receivables of HK$134,560,000 (2019: HK$142,414,000), representing 33% of the Group's total assets (2019: 29%). As at 31 March 2020, the Group's provision for impairment of trade receivables was approximately HK$41,821,000 (2019: HK$7,422,000). The Group 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;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
	• 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 receivables, understood the status of each of the material trade receivables past due as at year end and evaluated management's assessment on the recoverability of these outstanding receivables through discussion with management, considering the ageing of these receivables and performing independent search of customers' credit profile on a sample basis; • In respect of material trade receivable 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.

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.

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 HKSAs 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 HKSAs, 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.

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, 22 June 2020

Consolidated Income Statement

	Notes	Year ended 31 March 2020 HK$'000	2019 HK$'000
Revenue	*6*	756,152	759,455
Cost of sales	*7*	(627,840)	(625,342)
Gross profit		128,312	134,113
Other income	*6*	3	8
Other gains, net	*6*	7,226	8,109
Selling and distribution expenses	*7*	(32,224)	(39,475)
Administrative expenses	*7*	(50,150)	(48,715)
Provision for impairment of trade receivables	*20*	(34,399)	(5,282)
Operating profit		18,768	48,758
Finance income	*9*	862	811
Finance costs	*9*	(4,872)	(4,576)
Finance costs, net		(4,010)	(3,765)
Profit before income tax		14,758	44,993
Income tax expenses	*10*	(3,672)	(4,323)
Profit for the year attributable to owners of the Company		11,086	40,670
		HK cents	HK cents
Basic and diluted earnings per share for profit attributable to owners of the Company	*12*	2.7	10.0

The notes on pages 79 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**11,086**	40,670
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss		
— Currency translation differences	**(619)**	(825)
Total comprehensive income for the year attributable to owners of the Company	**10,467**	39,845

The notes on pages 79 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	As at 31 March 2020 HK$'000	 2019 HK$'000
ASSETS			
Non-current assets			
Right-of-use assets	*13*	**26,072**	—
Land use rights	*14*	**—**	306
Property, plant and equipment	*15*	**52,613**	57,636
Financial asset at fair value through profit or loss	*16*	**1,251**	1,214
Deferred income tax assets	*26*	**2,254**	744
Prepayment for plant and equipment	*20*	**76**	—
		82,266	59,900
Current assets			
Inventories	*19*	**103,867**	163,054
Trade receivables	*20*	**92,739**	134,992
Prepayments, deposits and other receivables	*20*	**13,906**	9,460
Current income tax recoverable		**939**	4,440
Pledged bank deposits	*21*	**23,432**	22,528
Cash and cash equivalents	*21*	**84,511**	92,668
		319,394	427,142
Total assets		**401,660**	487,042
EQUITY			
Equity attributable to owners of the Company			
Share capital	*22*	**4,086**	4,086
Share premium	*22*	**109,611**	109,611
Exchange reserve		**1,915**	2,534
Capital reserve	*23*	**21,656**	21,656
Retained earnings		**100,628**	105,887
Total equity		**237,896**	243,774

Consolidated Statement of Financial Position

	Notes	As at 31 March 2020 HK$'000	 2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*26*	669	705
Lease liabilities	*13*	24,377	—
		25,046	705
Current liabilities			
Trade and bills payables	*24*	117,128	200,886
Accruals and other payables	*24*	14,495	20,278
Current income tax liabilities		1,245	4,096
Lease liabilities	*13*	1,820	—
Borrowings	*25*	4,030	17,303
		138,718	242,563
Total liabilities		163,764	243,268
Total equity and liabilities		401,660	487,042

The consolidated financial statements on page 73 to 132 were approved by the Board of Directors on 22 June 2020 and were signed on its behalf.

Mr. Ma Hing Man
Director

Mr. Ma Hing Ming
Director

The notes on pages 79 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital HK$'000 *(Note 22)*	Share premium HK$'000 *(Note 22)*	Exchange reserve HK$'000	Capital reserve HK$'000 *(Note 23)*	Retained earnings HK$'000	Total HK$'000
As at 1 April 2018	4,086	109,611	3,359	21,656	69,303	208,015
Comprehensive income						
Profit for the year	—	—	—	—	40,670	40,670
Other comprehensive loss						
Currency translation difference	—	—	(825)	—	—	(825)
Total comprehensive (loss)/income	—	—	(825)	—	40,670	39,845
Transactions with owners						
2017/18 final dividend	—	—	—	—	(4,086)	(4,086)
As at 31 March 2019	4,086	109,611	2,534	21,656	105,887	243,774
As at 1 April 2019	**4,086**	**109,611**	**2,534**	**21,656**	**105,887**	**243,774**
Comprehensive income						
Profit for the year	**—**	**—**	**—**	**—**	**11,086**	**11,086**
Other comprehensive loss						
Currency translation difference	**—**	**—**	**(619)**	**—**	**—**	**(619)**
Total comprehensive (loss)/income	**—**	**—**	**(619)**	**—**	**11,086**	**10,467**
Transactions with owners						
2018/19 final dividend *(Note 11)*	**—**	**—**	**—**	**—**	**(16,345)**	**(16,345)**
As at 31 March 2020	**4,086**	**109,611**	**1,915**	**21,656**	**100,628**	**237,896**

The notes on pages 79 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 March 2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash generated from operations	*28*	38,330	22,222
Income tax paid		(6,434)	(7,018)
Income tax refund		1,783	—
Net cash generated from operating activities		33,679	15,204
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,341)	(18,869)
Increase in pledged bank deposits		(904)	(168)
Investment in a key management insurance contract		—	(1,439)
Interest received		570	811
Net cash used in investing activities		(4,675)	(19,665)
Cash flows from financing activities			
Proceeds from borrowings		4,030	18,224
Repayment of borrowings		(17,303)	(20,977)
Repayment of finance lease obligations		—	(96)
Payment of lease liabilities		(2,976)	—
Interest paid		(3,658)	(4,576)
Dividends paid		(16,472)	(3,959)
Net cash used in financing activities	*29*	(36,379)	(11,384)
Net decrease in cash and cash equivalents		(7,375)	(15,845)
Cash and cash equivalents at beginning of the year		92,668	108,900
Currency translation difference		(782)	(387)
Cash and cash equivalents at end of the year	*21*	84,511	92,668

The notes on pages 79 to 132 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 situated at 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") are principally engaged in the manufacture and trading of hand-bag products (the "Business"). The ultimate holding company of the Company is Wah Sun International Holdings Limited ("Wah Sun Holdings"), a company incorporated in the British Virgin Islands (the "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 deed.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 of 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 asset at fair value through profit or loss which is 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.

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 its financial year commencing on 1 April 2019:

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 2.2 below. All other amendments to standards and interpretation listed above do not have a significant effect on the Group's accounting policies.

(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 2019 and have not been early adopted by the Group:

	Effective for financial years 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
Amendments to HKAS 1 and HKAS 8, "Definition of material"	1 April 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9, "Hedge accounting"	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

None of the above new standards and amendments to standards is expected to have a material impact on the consolidated financial statements of the Group in the current or future reporting periods and or foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements. As indicated in Note 2.1 above, the Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of the statement of financial position on 1 April 2019. The new accounting policies are disclosed in Note 2.23.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of 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%.

(i) 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 as an alternative to preforming an impairment review — there were no onerous contracts as at 1 April 2019

— accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases

— 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".

The Group elected to early adopt Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" issued in May 2020 and apply practical expedient to account for rent concessions occurring as a direct consequence of the COVID-19 pandemic on all existing lease contracts as if the change were not a lease modification.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	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 not recognised as a liability	(456)
Add: adjustments as a result of a different treatment 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

(iii) Measurement of right-of-use assets

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(iv) Adjustments recognised on the adoption of HKFRS 16

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

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

Business combinations (Continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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 — 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

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 (Note 2.7).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (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 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. 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.

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 banks to secure for bank facilities and bank borrowings.

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 date.

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.

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

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 is recognised when a customer pays consideration before the Group recognises the related revenue.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

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.

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 from 1 April 2019.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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.

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 maximise 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.

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.

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, and 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 2020, if RMB had strengthened/weakened by 0.5% against HK$ with all other variables held constant, pre-tax profit for the year would decrease/increase by HK$44,000 (2019: HK$511,000), 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 2020, the Group recorded other comprehensive loss of currency translation differences of HK$619,000 (2019: HK$825,000). Foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are insignificant.

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 2020, 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$619,000 (2019: HK$377,000) higher/lower, 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 2020, the Group had a concentration of credit risk given that the top 5 customers accounted for 83% (2019: 79%) of the Group's total year end trade receivable balances. 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. 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.

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.

	2020
	HK$'000
Counterparties	
Customer B	**46,611**
Customer D	**25,517**
Customer A	**18,177**
Customer C	**18,008**
Customer E	**3,419**
	111,732

	2019
	HK$'000
Counterparties	
Customer A	67,840
Customer D	20,689
Customer E	13,217
Customer C	8,060
Customer F	2,136
	111,942

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 2020 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 rate of gross domestic product 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.

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.

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.

The Group has separated customers with doubtful credit rating from the other customers with low risk credit rating in the determination of the expected credit losses. As at 31 March 2020, the provision for impairment was determined as follows:

The expected credit losses below also incorporated forward-looking information.

At 31 March 2020	**Lifetime expected credit loss rate**	**Gross carrying amount**	**Lifetime expected credit loss**	**Net carrying amount**
		HK$'000	HK$'000	HK$'000
Trade receivables				
Customers with				
— Doubtful credit rating	78%	50,371	39,184	11,187
— Low credit rating	1%–26%	84,189	2,637	81,552
		134,560	41,821	92,739

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

At 31 March 2019	Lifetime expected credit loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
		HK$'000	HK$'000	HK$'000
Trade receivables				
Customers with				
— Doubtful credit rating	84%	7,814	6,525	1,289
— Low credit rating	0%–20%	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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 March 2020					
Trade and bills payables	**117,128**	**—**	**—**	**—**	**117,128**
Accruals and other payables	**5,200**	**—**	**—**	**—**	**5,200**
Lease liabilities	**2,976**	**2,976**	**8,928**	**20,832**	**35,712**
Borrowings	**4,030**	**—**	**—**	**—**	**4,030**
	129,334	**2,976**	**8,928**	**20,832**	**162,070**
As at 31 March 2019					
Trade and bills payables	200,886	—	—	—	200,886
Accruals and other payables	8,145	—	—	—	8,145
Borrowings	17,303	—	—	—	17,303
	226,334	—	—	—	226,334

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year	**More than 1 year but less than 2 years**	**More than 1 year but less than 5 years**	**Total outflows**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2020	**4,030**	**—**	**—**	**4,030**
At 31 March 2019	17,379	—	—	17,379

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 net debt to equity ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" shown in the consolidated statement of financial position.

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Cash and bank balances excluding pledged bank deposits *(Note 21)*	**84,511**	92,668
Less: borrowings *(Note 25)*	**(4,030)**	(17,303)
Net cash	**80,481**	75,365
Total capital	**237,896**	243,774
Net debt to equity ratio	**N/A**	N/A

As at 31 March 2020 and 2019, the Group was at net cash position, hence the net debt to equity ratio was not applicable.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2020, by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's asset that is measured at fair value at 31 March 2020.

At 31 March 2020	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial asset at fair value through profit or loss *(Note 16)*				
— Key management insurance contract	**—**	**—**	**1,251**	**1,251**

At 31 March 2019	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial asset at fair value through profit or loss *(Note 16)*				
— 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 import 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Valuation process (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 March 2020:

Financial asset at fair value through profit or loss	**As at 31 March**	
	2020	2019
	HK$'000	HK$'000
Beginning of the year	**1,214**	—
Addition	**—**	1,439
Fair value gain/(loss)	**37**	(225)
End of the year	**1,251**	1,214

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

(d) Income tax

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

5 SEGMENT INFORMATION

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

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

Geographical information

The Company is domiciled in Hong Kong.

The analysis of revenue by geographical area is as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
The United States of America	**575,691**	467,167
Spain	**44,458**	108,688
Other countries	**136,003**	183,600
	756,152	759,455

5 SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

For the purpose of classification, the geographical source of revenue is determined based on the destination of the goods delivered to customers. Revenues from the individual countries included in other countries are not material.

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
PRC	**13,611**	16,609
Hong Kong	**1,111**	1,621
Cambodia	**64,039**	39,712
	78,761	57,942

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	
	2020	2019
	HK$'000	HK$'000
Customer A	**155,008**	182,842
Customer B	**135,138**	8,879
Customer C	**116,382**	85,567
Customer D	**103,529**	81,187
Customer E	**60,989**	128,986
Customer F	**38,530**	100,318
	609,576	587,779

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	
	2020	2019
	HK$'000	HK$'000
Revenue:		
Sales of goods	**756,152**	759,455

Revenue of HK$604,000 (2019: HK$2,416,000) recognised for the year ended 31 March 2020 relates to carried-forward contract liabilities in the prior year.

6 REVENUE, OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

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

	Year ended 31 March	
	2020 HK$'000	2019 HK$'000
Other income:		
Sundry income	3	8
Other gains, net:		
Net exchange gains	6,542	7,942
Gain on sales of scrap materials	647	392
Fair value change of financial asset at fair value through profit or loss	37	(225)
	7,226	8,109
	7,229	8,117

7 EXPENSES BY NATURE

	Year ended 31 March	
	2020 HK$'000	2019 HK$'000
Cost of inventories sold	349,884	373,484
Sub-contracting charges	130,822	100,551
Transportation and customs charges	28,128	34,275
Operating lease rental in respect of land and building *(Note 13)*	473	3,447
Employee benefit expense *(Note 8)*	161,161	161,112
Auditor's remuneration		
— Audit services	1,780	1,850
Travelling expenses	835	1,376
Entertainment expenses	971	1,292
Amortisation on land use rights *(Note 14)*	—	44
Depreciation of property, plant and equipment *(Note 15)*	9,040	7,802
Depreciation of right-of-use assets *(Note 13)*	2,193	—
Legal and professional fees	3,572	3,516
Utilities	4,230	5,729
Repairs and maintenance	649	774
Donations	167	412
Other expenses	16,309	17,868
Total cost of sales, selling and distribution expenses and administrative expenses	710,214	713,532

8 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Salaries and allowances	**153,582**	152,452
Pension costs — defined contribution plans	**7,579**	8,660
	161,161	161,112

(a) Five highest paid individuals

For the year ended 31 March 2020, the five individuals whose emoluments were the highest in the Group include 4 (2019: 5) directors, whose emoluments were reflected in Note 32. The emolument paid to the remaining 1 individual in 2020 is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Salaries and allowances	**1,170**	—
Pension costs — defined contribution plans	**18**	—
	1,188	—

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

	Number of individuals Year ended 31 March	
	2020	2019
HK$1,000,001–HK$1,500,000	**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 2020 (2019: Nil).

9 FINANCE COSTS, NET

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Finance costs:		
— Interest expense on bank borrowings	**(452)**	(815)
— Interest expense on bills payable	**(3,206)**	(3,759)
— Interest expense on finance lease liabilities	**—**	(2)
— Interest expense on lease liabilities	**(1,214)**	—
	(4,872)	(4,576)
Finance income:		
— Interest income on bank deposits	**862**	811
Finance costs, net	**(4,010)**	(3,765)

10 INCOME TAX EXPENSES

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

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Current income tax:		
— Hong Kong profits tax	**2,004**	274
— Overseas taxation	**3,285**	4,325
(Over)/under-provision in prior years	**(25)**	515
	5,264	5,114
Deferred income tax *(Note 26)*	**(1,592)**	(791)
	3,672	4,323

10 INCOME TAX EXPENSES (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) for the year ended 31 March 2020 on the estimated assessable profit, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25% (2019: 8.25%), in accordance with the two-tiered tax rate regime with effect from the year of assessment 2018/2019. 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% effective from 1 January 2019.

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	
	2020	2019
	HK$'000	HK$'000
Profit before income tax	**14,758**	44,993
Tax calculated at domestic tax rates applicable to profits in the respective countries:	**2,709**	8,757
Tax effects of:		
Tax concession	**(165)**	(4,209)
Income not subject to tax	**(214)**	(1,032)
Expenses not deductible for tax purposes	**1,367**	1,036
(Over)/under-provision in prior years	**(25)**	515
Recognition of previously unrecognised tax losses	**—**	(744)
Income tax expenses	**3,672**	4,323

For the year ended 31 March 2020, the weighted average applicable tax rate was 25% (2019: 10%).

11 DIVIDENDS

The Board has recommended the payment of a final dividend of HK1.0 cent per share (2019: HK4.0 cents per share), a special dividend of HK1.0 cent per share (2019: Nil) amounting to an aggregate of approximately HK$8,172,000 (2019: HK$16,345,000) for the year ended 31 March 2020. The proposed final dividend and the proposed special dividend for the year are 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	
	2020	2019
	HK$'000	HK$'000
Proposed final dividend of HK1.0 cent (2019: HK4.0 cents) per share by the Company	**4,086**	16,345
Proposed special dividend of HK1.0 cent (2019: Nil) per share by the Company	**4,086**	—
	8,172	16,345

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.

	Year ended 31 March	
	2020	2019
Profit attributable to owners of the Company (HK$'000)	**11,086**	40,670
Weighted average number of shares in issue (thousands shares)	**408,626**	408,626
Basic earnings per share (HK cents)	**2.7**	10.0

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 31 March 2020 (2019: Nil).

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at	
	31 March 2020 HK$'000	1 April 2019 HK$'000
Right-of-use assets		
Land under non-cancellable operating leases	25,810	27,959
Land use right	262	306
	26,072	28,265
Lease liabilities		
Current	1,820	1,762
Non-current	24,377	26,197
	26,197	27,959

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 March	
	2020 HK$'000	2019 HK$'000
Depreciation of right-of-use assets		
Land under non-cancellable operating leases	(2,149)	—
Land use right	(44)	—
	(2,193)	—
Interest expense *(Note 9)*	(1,214)	—
Expense relating to short-term leases (included in administrative expenses)	(473)	—

The total cash outflow for leases for the year ended 31 March 2020 was approximately HK$2,976,000.

Note: As at 31 March 2020, the Group recognised right-of-use assets of HK$25,810,000 and lease liabilities of HK$26,197,000 in respect of a lease entered into with a related party (Note 30(b)).

14 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	
	2020	2019
	HK$'000	HK$'000
Beginning of the year	**306**	350
Changes in accounting policies *(Note 2.2)*	**(306)**	—
Amortisation	**—**	(44)
End of the year	**—**	306

15 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
Year ended 31 March 2019						
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
At 31 March 2019						
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

15 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
At 1 April 2019						
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
Year ended 31 March 2020						
Opening net book amount	39,726	9,965	964	5,092	1,889	57,636
Additions	2,884	778	591	88	—	4,341
Transfer	1,889	—	—	—	(1,889)	—
Depreciation charge	(3,370)	(4,063)	(429)	(1,448)	—	(9,310)
Currency translation differences	(12)	(7)	(22)	(13)	—	(54)
Closing net book amount	41,117	6,673	1,104	3,719	—	52,613
At 31 March 2020						
Cost	57,736	31,488	6,901	10,978	—	107,103
Accumulated depreciation	(16,619)	(24,815)	(5,797)	(7,259)	—	(54,490)
Net book amount	41,117	6,673	1,104	3,719	—	52,613

Depreciation of HK$1,877,000 (2019: HK$1,920,000) has been charged to "administrative expenses" and HK$7,163,000 (2019: HK$5,882,000) has been charged to "cost of sales" for the year ended 31 March 2020. In addition, depreciation of HK$270,000 (2019: HK$232,000) has been capitalised as inventories as at 31 March 2020.

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

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Cost	735	735
Accumulated depreciation	(649)	(502)
Net book amount	86	233

The Group leases motor vehicles under non-cancellable finance lease agreements. The lease terms were two years and were fully settled during the year ended 31 March 2019. As at 31 March 2020 and 31 March 2019, the motor vehicles were no longer under finance lease agreements.

16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Beginning of the year	1,214	—
Addition	—	1,439
Credited/(charged) to the consolidated income statement	37	(225)
End of the year	1,251	1,214

During the year ended 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.

17 SUBSIDIARIES

Particulars of the principal subsidiaries at 31 March 2020 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	Ownership interest held by the Company 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%
Dongguan Union Gold Hand-bag Materials Trading Co., Ltd*	PRC, limited liability company	Trading of hand-bag materials	—	—	100%

* For identification purpose only

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
— Trade receivables	92,739	134,992
— Deposits and other receivables	1,463	1,155
— Pledged bank deposits	23,432	22,528
— Cash and cash equivalents	84,511	92,668
Total	202,145	251,343
Financial asset at fair value through profit or loss	1,251	1,214
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost:		
— Trade and bills payables	117,128	200,886
— Accruals and other payables	5,200	8,145
— Borrowings	4,030	17,303
— Lease liabilities	26,197	—
Total	152,555	226,334

19 INVENTORIES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Raw materials	22,909	56,134
Work-in-progress	63,871	86,039
Finished goods	17,087	20,881
	103,867	163,054

The cost of inventories recognised as expense and included in “cost of sales” in the consolidated income statement amounted to HK$349,884,000 (2019: HK$373,484,000) for the year ended 31 March 2020.

20 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade receivables	134,560	142,414
Less: provision for impairment of trade receivables	(41,821)	(7,422)
Trade receivables, net	92,739	134,992
Deposits	1,167	1,149
Prepayments	3,489	1,893
Value-added tax recoverable	9,030	6,412
Other receivables	296	6
	13,982	9,460
Less: non-current portion		
Prepayment for plant and equipment	(76)	—
Current portion	13,906	9,460

The maximum exposure to credit risk as at 31 March 2020 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	
	2020	2019
	HK$'000	HK$'000
US$	93,578	135,834
HK$	544	310
RMB	80	3
	94,202	136,147

20 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 2020, the ageing analysis of the gross trade receivables based on the invoice date is as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Within 30 days	**25,075**	52,714
31 to 60 days	**49,013**	34,578
61 to 90 days	**31,676**	28,432
Over 90 days	**28,796**	26,690
	134,560	142,414

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Beginning of the year	**7,422**	2,140
Provision for impairment	**34,399**	5,282
End of the year	**41,821**	7,422

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

21 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Cash at bank	**81,536**	88,974
Cash on hand	**2,975**	3,694
Cash and cash equivalents	**84,511**	92,668
Pledged bank deposits	**23,432**	22,528
Cash and bank balances	**107,943**	115,196
Maximum exposure to credit risk	**104,968**	111,502

As at 31 March 2020, pledged bank deposits of HK$23,432,000 (2019: HK$22,528,000) were held at bank as security for bank facilities and bank borrowings (Note 25). Pledged bank deposits are deposited with a creditworthy bank with no recent history of default.

The weighted average effective interest rates on pledged bank deposits, with maturity ranging from one month to six months, was 1.39% (2019: 0.82%) per annum for the year ended 31 March 2020.

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
HK$	**36,211**	53,298
US$	**63,614**	58,785
RMB	**8,118**	3,113
	107,943	115,196

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.

22 SHARE CAPITAL AND SHARE PREMIUM

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

Authorised ordinary shares:

	Number of shares	Nominal value of ordinary shares HK$'000
At 31 March 2019, 1 April 2019 and 31 March 2020	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 31 March 2019, 1 April 2019 and 31 March 2020	408,626,000	4,086	109,611

23 CAPITAL RESERVE

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

24 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Trade payables	**64,394**	104,866
Bills payable	**52,734**	96,020
	117,128	200,886
Accruals and other payables		
— Accrued salaries	**9,220**	11,529
— Other accruals and payables	**5,200**	8,145
— Contract liabilities	**75**	604
	14,495	20,278
	131,623	221,164

As at 31 March 2020, the carrying amounts of trade and bills payables, accruals and other payables approximate their fair values.

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

Notes:

(a) Trade and bills payables

As at 31 March 2020, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Within 30 days	29,251	78,976
31 to 60 days	16,464	34,787
61 to 90 days	47,021	64,858
Over 90 days	24,392	22,265
	117,128	200,886

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
HK$	36,008	22,274
US$	24,315	64,148
RMB	56,805	114,464
	117,128	200,886

(b) Accruals and other payables

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
HK$	3,058	2,967
US$	6,281	12,777
RMB	5,156	4,534
	14,495	20,278

25 BORROWINGS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Bank borrowings	**4,030**	17,303

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	
	2020	2019
	HK$'000	HK$'000
Within 1 year	**4,030**	17,303

The weighted average interest rate during the year ended 31 March 2020 were as follows:

	As at 31 March	
	2020	2019
Short-term bank loans	**4.75%**	3.81%

At 31 March 2020 and 2019, the borrowings are denominated in the following currencies:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
HK$	**4,030**	15,532
US$	**—**	1,771
	4,030	17,303

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Within 1 year	**4,030**	17,303

25 BORROWINGS (CONTINUED)

As at 31 March 2020, the carrying amounts of the borrowings approximate their fair values.

As at 31 March 2020, the Group had aggregate banking facilities of HK$180,000,000 (2019: HK$157,346,000) for bills payable, overdrafts and loans. Unutilised facilities as at 31 March 2020 amounted to HK$123,236,000 (2019: HK$44,023,000).

As at 31 March 2020, the Group's banking facilities and bank borrowings are secured by pledged bank deposits of HK$23,432,000 (2019: HK$22,528,000) (Note 21).

26 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	
	2020	2019
	HK$'000	HK$'000
Deferred income tax assets *(Note a)*	**2,254**	744
Deferred income tax liabilities *(Note b)*	**(669)**	(705)
	1,585	39

Notes:

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

	Tax loss and others
	HK$'000
At 1 April 2018	—
Credited to the consolidated income statement *(Note 10)*	744
At 31 March 2020	744
At 1 April 2019	**744**
Credited to the consolidated income statement *(Note 10)*	**1,556**
Currency translation differences	**(46)**
At 31 March 2020	**2,254**

26 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (CONTINUED)

Notes: (Continued)

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

	Accelerated tax depreciation HK$'000
At 1 April 2018	752
Credited to the consolidated income statement *(Note 10)*	(47)
At 31 March 2019	705
At 1 April 2019	**705**
Credited to the consolidated income statement *(Note 10)*	**(36)**
At 31 March 2020	**669**

As at 31 March 2020, 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 (2019: Nil).

Deferred income tax liabilities of HK$12,749,000 (2019: HK$11,952,000) 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 2020 as such amounts are expected to be permanently reinvested.

27 COMMITMENTS

(a) Capital commitments

As at 31 March 2020, capital expenditure contracted for but not yet incurred are as follows:

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Property, plant and equipment	**178**	2,178

(b) Operating lease commitments as lessee

The Group leases offices and land which are non-cancellable operating leases expiring within two years.

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases. See Note 13 for further information.

	As at 31 March	
	2020 HK$'000	2019 HK$'000
No later than 1 year	**—**	3,432
Later than 1 year and no later than 5 years	**—**	5,952
	—	9,384

28 NET CASH GENERATED FROM OPERATIONS

		Year ended 31 March	
		2020	2019
	Notes	**HK$'000**	HK$'000
Profit before income tax		**14,758**	44,993
Adjustments for:			
Amortisation on land use rights	*7*	**—**	44
Depreciation of right-of-use assets	*7*	**2,193**	—
Depreciation of property, plant and equipment	*7*	**9,040**	7,802
Provision for impairment of trade receivables		**34,399**	5,282
Fair value change of financial asset at fair value through profit or loss		**(37)**	225
Finance income	*9*	**(862)**	(811)
Finance costs	*9*	**4,872**	4,576
		64,363	62,111
Changes in working capital:			
Inventories		**58,885**	(59,412)
Trade receivables		**7,854**	(15,848)
Prepayments, deposits and other receivables		**(4,407)**	4,062
Trade and bills payables		**(82,858)**	35,336
Accruals and other payables		**(5,507)**	(4,027)
Net cash generated from operations		**38,330**	22,222

29 CASH FLOW INFORMATION — FINANCING ACTIVITIES

This section sets out the reconciliation of liabilities arising from financing activities for the year ended 31 March 2020.

	Dividend payable HK$'000	Finance lease liabilities HK$'000	Interest payable HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	—	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)
At 31 March 2019	127	—	—	17,303	—	17,430
Recognised on adoption of HKFRS 16 *(see Note 2.2)*	—	—	—	—	27,959	27,959
At 1 April 2019	**127**	**—**	**—**	**17,303**	**27,959**	**45,389**
Non cash — dividend declared	**16,345**	**—**	**—**	**—**	**—**	**16,345**
Non cash — interest cost	**—**	**—**	**3,658**	**—**	**1,214**	**4,872**
Cash flow — financing activities	**(16,472)**	**—**	**(3,658)**	**(13,273)**	**(2,976)**	**(36,379)**
At 31 March 2020	**—**	**—**	**—**	**4,030**	**26,197**	**30,227**

30 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.

30 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 2020, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March	
	2020 HK$'000	2019 HK$'000
Continuing transactions:		
Rental expenses paid or payable to related parties		
— Ms. Dong Yan	2,976	2,976
— Ms. Ma Lan Chu and Ms. Yung Ngan Sim	288	288
— Ms. Ma Lan Heung and Ms. Chan Sim Kuen	168	168
Total	3,432	3,432

(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	
	2020 HK$'000	2019 HK$'000
Salaries, bonus and other allowances	10,638	9,836
Retirement benefit costs		
— Mandatory Provident Fund Scheme	116	150
	10,754	9,986

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Investment in subsidiaries		95,531	95,531
Current assets			
Prepayment		291	—
Amount due from subsidiaries		91,846	84,446
Cash and cash equivalents		30,759	47,005
		122,896	131,451
Total assets		218,427	226,982
EQUITY			
Equity attributable to the owners of the Company			
Share capital		4,086	4,086
Share premium		109,611	109,611
Capital reserve	*(a)*	95,531	95,531
Retained earnings	*(b)*	9,199	17,627
Total equity		218,427	226,855
Current liabilities			
Accruals and other payables		—	127
Total liabilities		—	127
Total equity and liabilities		218,427	226,982

The statement of financial position of the Company was approved by the Board of Directors on 22 June 2020 and was signed on its behalf.

Mr. Ma Hing Man	**Mr. Ma Hing Ming**
Director	*Director*

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

(a) 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.

(b) Retained earnings of the Company

	HK$'000
As at 1 April 2018	5,054
Profit for the year	16,659
2017/2018 final dividend	(4,086)
As at 31 March 2019	17,627
As at 1 April 2019	17,627
Profit for the year	7,917
2018/2019 final dividend	(16,345)
As at 31 March 2020	9,199

32 BENEFIT AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors is set out below:

For the year ended 31 March 2020:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking			
Name of directors	Fees	Salaries	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Mr. Ma Hing Man	—	2,600	18	2,618
Mr. Ma Hing Ming *(Note i)*	—	2,210	18	2,228
Ms. Ma Lan Chu	—	1,300	18	1,318
Mr. Ma Yum Chee	—	1,040	—	1,040
Ms. Ma Lan Heung	—	910	—	910
	—	8,060	54	8,114
Independent non-executive directors				
Mr. Lam Kwok Cheong	200	—	—	200
Mr. Wong Wai Keung Frederick	200	—	—	200
Mr. Yeung Chi Wai	200	—	—	200
	600	—	—	600

32 BENEFIT AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended 31 March 2019:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking			
Name of directors	Fees HK$'000	Salaries HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Mr. Ma Hing Man	—	2,210	18	2,228
Mr. Ma Hing Ming *(Note 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
Independent non-executive directors				
Mr. Lam Kwok Cheong	200	—	—	200
Mr. Wong Wai Keung Frederick	200	—	—	200
Mr. Yeung Chi Wai	200	—	—	200
	600	—	—	600

Notes:

(i) Mr. Ma Hing Ming is also the chief executive officer of the Company.

(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 2020 (2019: 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 2020 (2019: Nil).

32 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 2020 (2019: 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 2020 (2019: Nil).

33 EVENTS AFTER THE REPORTING PERIOD

(a) Temporary suspension of production facilities in Cambodia

The COVID-19 pandemic since early 2020 affected worldwide business and economic activities. During the COVID-19 pandemic, the Group's production facilities in Cambodia were temporarily suspended during the period from April to early May 2020. During the suspension period, most of the Group's production facilities in Cambodia were closed and the delay in scheduled fulfilment of orders were communicated and agreed with the respective customers.

Management actively monitors the situation and the impact to the Group's financial results. As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of the potential impact on the Group.

(b) Impairment of trade receivables

In mid May 2020, two customers of the Group filed voluntary bankruptcy petitions. As a result, the Group made impairment provision of HK$32,507,000 against the trade receivable balances due from these two customers as at 31 March 2020. The Group will closely monitor the collection of the outstanding trade receivable balances from these two customers.

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

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**756,152**	759,455	697,492	677,214	585,940
Profit before tax	**14,758**	44,993	55,865	63,314	51,745
Income tax expense	**(3,672)**	(4,323)	(10,287)	(8,383)	(3,612)
Profit for the year	**11,086**	40,670	45,578	54,931	48,133

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. (continued)

ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets	**82,266**	59,900	47,229	42,534	38,237
Current assets	**319,394**	427,142	375,238	246,388	182,087
Total assets	**401,660**	487,042	422,467	288,922	220,324
Equity and liabilities					
Total equity	**237,896**	243,774	208,590	68,220	54,452
Non-current liabilities	**25,046**	705	752	145	138
Current liabilities	**138,718**	242,563	213,125	220,557	165,734
Total liabilities	**163,764**	243,268	213,877	220,702	165,872
Total equity and liabilities	**401,660**	487,042	422,467	288,922	220,324

Note:

The summary of the consolidated results of the Group for each of the two years ended 31 March 2016 and 2017 and of the assets, equity and liabilities as at 31 March 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.