



2020/21

Interim Report



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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Mr. Yeung Lee Fai

AUTHORISED REPRESENTATIVES

Mr. Ma Hing Ming
Mr. Yeung Lee Fai

LEGAL ADVISER AS TO HONG KONG LAWS

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

Corporate Information

INDEPENDENT AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

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

COMPANY'S WEBSITE

www.wahsun.com.hk

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong
Limited

Stock Code

2683

Board Lot

2,000 shares



Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

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

Since early March 2020, outbreak of the novel coronavirus disease 2019 (the “**COVID-19 Outbreak**”) almost paralyzed the daily lives of consumers, and the global economic growth has been severely affected by it. Among all sectors, the retail consumption industry bore the brunt and the impact was particularly severe. The COVID-19 Outbreak inevitably triggered consumer panic. The uncertain geopolitical situation also made the global economy unpredictable and retail consumer sentiment has been further weakened.

The COVID-19 Outbreak occurred worldwide and has also led to significant disruption to the consumer markets of North America and the European Union (the “**EU**”) which are the largest markets of our products. Some of the shipments to North America and the 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 principal production facilities of the Group in the Kingdom of Cambodia (“**Cambodia**”) had also been temporarily suspended during the period from the end of March 2020 to early May 2020. The downside risk is further increased because the trade dispute between the People’s Republic of China (the “**PRC**”, for the purpose of this interim report only, excluding The Hong Kong Special Administrative Region (“**Hong Kong**”), The Macau Special Administrative Region and Taiwan) and the United States of America (“**USA**”) which has persisted with occasional confrontations flaring up. Consumer sentiment is therefore expected to be further battered.

For the six months ended 30 September 2020 (“**1H2020**”), the handbag industry experienced an exceptional recessive period. Customers are more cautious when placing the orders since then, and the revenue of the Group had been decreased dramatically by approximately HK\$265 million or 60% to approximately HK\$180 million for 1H2020 from approximately HK\$445 million for the six months ended 30 September 2019 (“**1H2019**”).

In response to the difficult business environment, the Group had executed a series of cost control measures, which are, 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 had 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 of the Company (the “**Directors**”) had taken the lead in reducing their monthly salaries by 50% temporarily since April 2020. At the same time, staff salaries had been adjusted to reflect the current market conditions. The management of the Group will continue to monitor the market conditions closely and adjust our corresponding strategies in a timely manner as necessary and appropriate.

In respect of industry development, during 1H2020, it became clear how important it is that the digital and physical channels were made available to meet customers’ needs. When the retail stores were temporarily closed due to the COVID-19 Outbreak, retailers have more focused on redirecting product flow to their digital channels, which remained open at all times in, nearly, all their online markets. It is expected that the positive development of online sales will be continued and become one of the key elements to contribute to the market’s growth in the future.

Management Discussion and Analysis

Looking ahead to the second half of the financial year ending 31 March 2021, the increase of complicated and unpredictable geopolitics and related uncertain factors will shadow the outlook of the global economy, which will further undermine investment and consumption confidence. Although the global economy has improved steadily in the second quarter of 2020 and consumption is expected to gradually recover, the external economic situation has not seen rebound. The COVID-19 Outbreak would still have a profound impact on the overall consumer market, slowing the consumption recovery of handbag and other non-essential products.

Going forward, the Group expects that changes in consumption patterns of the customers after the market recovers from the COVID-19 Outbreak, will accelerate the online and offline integration of the retail industry and bring sales network balance. The Group will provide strong support to our customers in the development of consumption behaviours and market demand. The Group believes that progressing with time is the key to maintain competitiveness. Regarding production capacity, the Group will continue to leverage on our economies of scale and further enhance our manufacturing efficiency and production flexibility, so as to achieve seamless production and respond more precisely to changes in market demand.

We are confident that we would be able to seize business opportunities swiftly when the economy recovers, and such act will differentiate ourselves in the midst of industry consolidation, thereby creating a win-win situation with our business partners. We shall continue to uphold the quality and consolidate the Group's leading position in non-leather handbag OEM, thereby generating sustainable returns to our shareholders ("**Shareholders**").

FINANCIAL REVIEW

Revenue

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

The Group's revenue decreased to approximately HK\$180 million for 1H2020 from approximately HK\$445 million for 1H2019, representing a decrease of approximately 60%.

The Group recorded a decrease of revenue from customers in the USA by approximately HK\$207 million during 1H2020 from approximately HK\$341 million for 1H2019 to approximately HK\$134 million for 1H2020. This was mainly due to the COVID-19 Outbreak which caused significant disruption to the global consumer market and temporary suspension of our principal production facilities in Cambodia during the period from end of March 2020 to early May 2020.

Management Discussion and Analysis

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

	Six months ended 30 September			
	2020 HK\$'000 (Unaudited)	%	2019 HK\$'000 (Unaudited)	%
Cambodia	168,365	94	396,275	89
Dongguan, the PRC	11,537	6	48,615	11
	179,902	100	444,890	100

The Group's strategy is to diversify its customer base by continuing to grow its business with new customers and capturing greater market share in different markets.

The Group's sales to its top five customers accounted for approximately 82% of the total revenue for 1H2020, with the Group's sales to its largest customer accounting for approximately 29% of the total revenue for 1H2020.

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

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

	Six months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Revenue (HK\$'000)	179,902	444,890
Quantities sold (Unit'000)	3,109	7,505
Average selling price (HK\$/Unit)	57.9	59.3

The decrease in average unit selling price was due to the different complexity of products sold which affecting the selling price of our products.

Cost of sales

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

The cost of sales decreased to approximately HK\$155 million for 1H2020 from approximately HK\$369 million for 1H2019, representing a decrease of approximately 58%.

Management Discussion and Analysis

The decrease in terms of percentage of the Group's cost of sales was less than that of the sales drop during 1H2020. This was mainly due to the drop in revenue as a result of the drop in quantities sold by the Group and the inclusion of fixed costs such as most of the direct labour cost in our production facilities and depreciation of property, plant and equipment in the cost of sales.

Gross profit and gross profit margin

With the factors as mentioned above, the Group's gross profit decreased to approximately HK\$25 million for 1H2020 from approximately HK\$76 million for 1H2019, representing a decrease of approximately 68%, and the Group's gross profit margin decreased to 13.7% for 1H2020 from 17.1% for 1H2019, representing a decrease of 3.4%.

Other (losses)/gains, net

The Group's other (losses)/gains primarily consist of (i) net exchange losses of HK\$1.3 million for 1H2020 (1H2019: net exchange gains of HK\$4.4 million) mainly arising from the appreciation of Renminbi ("RMB") against Hong Kong dollars ("HK\$") during 1H2020; and (ii) gain on sales of scrap materials of HK\$0.2 million for 1H2020 (1H2019: HK\$0.2 million).

Selling and distribution expenses

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

Selling and distribution expenses decreased to approximately HK\$10.3 million for 1H2020 from approximately HK\$19.7 million for 1H2019, representing a decrease of approximately 48%. The decrease was primarily due to the decrease in transportation and customs charges, which is mainly because of the drop in the level of sales activity and our effort of cost control.

Administrative expenses

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

Administrative expenses decreased to approximately HK\$13.3 million for 1H2020 from approximately HK\$23.9 million for 1H2019, representing a decrease of approximately 44%. Such decrease was mainly due to various cost control measures implemented during 1H2020 in response to the COVID-19 Outbreak.

Reversal of/(provision for) impairment of trade receivables

As at 30 September 2020, the Group assessed the recoverability of trade receivables under the impairment model of Hong Kong Financial Reporting Standard ("HKFRS") 9 and considered whether there is any increase in credit risk of each individual receivable balance. The assessment included the consideration of ageing of trade receivables, repayment history, payment profile and credit profile of the respective customers. The Group also assessed a forward-looking element which our customers would likely be exposed to under the macro-economic environment.

During 1H2020, approximately HK\$4 million of the total outstanding balance of approximately HK\$9 million, which was fully provided during the year ended 31 March 2020, has been settled. The customer in question was one of our top five customers, who filed an voluntary petition for relief under the United States Bankrupt Code in the United States Bankrupt Court in May 2020.



Management Discussion and Analysis

Based on the latest information made available to the board of Directors (the “**Board**”) as at the date hereof, the reversal of provision for impairment of trade receivables, determined by way of the expected credit loss model, of approximately HK\$2.8 million has been made and credited to the income statement of the Group as an income for 1H2020.

Finance costs, net

Net finance costs decreased by approximately HK\$1.2 million or 54% from approximately HK\$2.2 million for 1H2019 to approximately HK\$1.0 million for 1H2020.

The decrease was mainly due to the decrease in average bank borrowings for 1H2020.

Income tax expenses

The Group’s income tax expenses decreased by approximately HK\$5.5 million from HK\$6.7 million for 1H2019 to approximately HK\$1.2 million for 1H2020.

The decrease was mainly due to the decrease in assessable profit for 1H2020.

Profit for the period

As a result of the foregoing, profit for the period attributable to owners of the Company decreased by approximately HK\$25.0 million or 98% to approximately HK\$0.6 million for 1H2020 from approximately HK\$25.6 million for 1H2019.

Our net profit margin decreased from 5.7% for 1H2019 to 0.3% for 1H2020, which was mainly due to the decrease in gross profit margin from 17.1% for 1H2019 to 13.7% for 1H2020.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and pledge of assets

As at 30 September 2020, the Group had no borrowings (31 March 2020: approximately HK\$4.0 million).

Banking facilities were secured by bank deposits of approximately HK\$23.6 million (31 March 2020: approximately HK\$23.4 million) as at 30 September 2020.

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

Working capital management

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

Management Discussion and Analysis

Liquidity ratios

As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$97.4 million (31 March 2020: approximately HK\$84.5 million). The Group's current ratio, gearing ratio and net debt to equity ratio are as follows:

	30 September 2020 (Unaudited)	31 March 2020 (Audited)
Current ratio	2.7	2.3
Gearing ratio	Net cash	1.7%
Net debt to equity ratio	Net cash	Net cash

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

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

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

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

Financial management, treasury policy and foreign currency exposure

The Group's financial management, treasury policy and foreign currency exposure had not been materially changed since the information disclosed in our annual report for the year ended 31 March 2020.

Employee and remuneration policy

As at 30 September 2020, the Group employed a total of 3,007 employees (31 March 2020: 4,655 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 1H2020, the staff costs (including Directors' emoluments) amounted to approximately HK\$40 million (1H2019: approximately HK\$87 million).

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

No share option has been granted under the Share Option Scheme since its adoption and therefore, no share options lapsed or were granted, exercised or cancelled during 1H2020 and there were no outstanding share options as at 30 September 2020.



Management Discussion and Analysis

Development and training

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

Significant investments/material acquisitions and disposals

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries, associates or joint ventures during 1H2020.

Future plans for material investments or capital assets

Saved as disclosed in the prospectus of the Company dated 10 January 2018, the Group did not have other plans for material investments and capital assets as at 30 September 2020.

Capital commitments

As at 30 September 2020, the Group had no capital commitments (31 March 2020: approximately HK\$0.2 million) in respect of acquisition of property, plant and equipment.

Contingent liabilities

As at 30 September 2020, the Group did not have any significant contingent liabilities (31 March 2020: Nil).

Event after 1H2020

No material events have occurred after 1H2020 and up to the date of this report.

Interim dividend

The Board has resolved not to declare the payment of any interim dividend to the Shareholders for 1H2020 (1H2019: Nil).

USE OF NET PROCEEDS FROM THE LISTING

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

Up to the date of this report, the Net Proceeds which have remained unutilised amounted to approximately HK\$14.1 million.

Management Discussion and Analysis

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

		Revised Allocation of the Net Proceeds HK\$ million	Utilised amount (as at the date of this report) HK\$ million	Unutilised amount (as at the date of this report) HK\$ million
Expansion of our production facilities in Cambodia	30.0%	25.6	25.6	–
Leasing land and construction of production plant	20.2%	17.2	17.2	–
Fitting out works	2.6%	2.2	2.2	–
Purchasing production equipment	7.2%	6.2	6.2	–
Establishing a product development team in Cambodia	15.0%	12.8	7.3	5.5
Upgrading existing software and hardware	10.0%	8.5	5.0	3.5
Refurbishment of the existing facilities	10.0%	8.5	5.0	3.5
Installing showrooms in Dongguan and Cambodia	10.0%	8.5	6.9	1.6
General working capital	25.0%	21.4	21.4	–
	100.0%	85.3	71.2	14.1

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\$7.3 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\$5.0 million has been used for refurbishment of the existing showroom, workshop and ancillary office as planned; and
- (v) regarding installing showrooms in Dongguan, the PRC and Cambodia, approximately HK\$6.9 million has been used for installing showrooms in our production bases in Dongguan, the PRC and Cambodia as planned.

As at 30 September 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 the Net Proceeds.



Corporate Governance and Other Information

CORPORATE GOVERNANCE

During 1H2020, the Company had complied with all the code provisions, where applicable, of the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**” and the “**CG Code**”, respectively).

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

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

(i) Interest in our Company

Name of Directors/ Chief executive	Capacity/Nature of interest (Note 1)	Number of Shares/ underlying Shares interested (L) (Note 2)	Approximate percentage of the Company’s issued Shares*
Mr. Ma Hing Man	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Mr. Ma Hing Ming	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Ms. Ma Lan Chu	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Mr. Ma Yum Chee	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%
Ms. Ma Lan Heung	Interest in a controlled corporation, interest held jointly with other persons	301,138,000	73.70%

Corporate Governance and Other Information

Notes:

1. Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung have decided to restrict their ability to exercise direct control over our Company by holding their interests through a common investment entity, Wah Sun International Holdings Limited ("**Wah Sun Holdings**"). Wah Sun Holdings' entire issued share capital is personally held by each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung as to 20%. They are also parties to an acting in concert deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares of Wah Sun Holdings held by each of them in aggregate and all the shares held by Wah Sun Holdings under the SFO.
 2. The letter "L" denotes the person's long position in such Shares.
- * The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 408,626,000 as at 30 September 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 of the Company within the meaning of Part XV of the SFO. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is personally interested in one share of US\$1.00 each in Wah Sun Holdings, representing 20% of the entire issued share capital of Wah Sun Holdings. Each of them is also a party to an acting in concert deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares in Wah Sun Holdings held by each of them in aggregate under the SFO. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is a director of Wah Sun Holdings.
2. The letter "L" denotes the person's long position in such shares.

Corporate Governance and Other Information

Save as disclosed above, as at 30 September 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); (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 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	Number of Shares interested or held (L) <i>(Note 1)</i>	Approximate percentage of the Company's issued Shares*
Wah Sun Holdings <i>(Notes 2 and 3)</i>	Beneficial owner	301,138,000	73.70%
Ms. Chan Sim Kuen <i>(Note 4)</i>	Interest of a spouse	301,138,000	73.70%
Ms. Wu Yu Ling <i>(Note 5)</i>	Interest of a spouse	301,138,000	73.70%
Ms. Yung Ngan Sim <i>(Note 6)</i>	Interest of a spouse	301,138,000	73.70%

Notes:

- The letter "L" denotes the person's long position in such Shares.
- Wah Sun Holdings is a direct Shareholder.
- Wah Sun Holdings is beneficially owned as to 20% each by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung. Each of them is also a party to an acting in concert deed, pursuant to which each of them has agreed, amongst other matters, to consolidate his/her interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Each of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung is, therefore, deemed to be interested in the shares in Wah Sun Holdings held by each of them in aggregate under the SFO.
- 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.
- 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.

Corporate Governance and Other Information

6. Ms. Yung Ngan Sim is the spouse of Mr. Ma Yum Chee. Ms. Yung Ngan Sim is deemed to be interested in the same number of Shares in which Mr. Ma Yum Chee is deemed to be interested by virtue of Part XV of the SFO.

* The percentage represents the number of the Shares interested divided by the number of issued Shares of 408,626,000 as at 30 September 2020.

Save as disclosed above, as at 30 September 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.

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

During 1H2020, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct governing the securities transactions by the Directors. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code throughout 1H2020. The Model Code also applies to other specified senior management of the Group in respect of their dealing in the Company's securities.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling Shareholders (as defined under the Listing Rules) or their respective close associates (as defined under the Listing Rules) (a) had interests in any business apart from the Group's business which competed or was likely to complete, either directly or indirectly, with the businesses of the Group and (b) had or might have any other conflicts of interest with the Group during 1H2020.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes to information of Directors subsequent to the date of the annual report of the Company for the year ended 31 March 2020 are set out as follows:

Mr. Lam Kwok Cheong, the independent non-executive Director, joined Convoy Global Holdings Limited (Stock Code: 1019), a company listed on the Stock Exchange, as an independent non-executive director on 19 November 2020.

Mr. Wong Wai Keung, Frederick, the independent non-executive Director, joined Burwill Holdings Limited (Stock Code: 24), a company listed on the Stock Exchange, as an independent non-executive director on 14 September 2020.



Corporate Governance and Other Information

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors with written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code, and reports to the Board. The Audit Committee has reviewed and discussed with the Board the unaudited condensed consolidated financial statements of the Group for 1H2020 (the “**Condensed Consolidated Financial Statements**”) and this report. PricewaterhouseCoopers, as the Company’s independent auditor, has reviewed the Condensed Consolidated Financial Statements in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

APPRECIATION

The Board would like to take this opportunity to extend our heartfelt gratitude to the management team and our colleagues for their contributions and hard work to the development of the Group. In particular, in the face of the current adversity, the Board would like to express our sincere appreciation to all the colleagues for their continuous professionalism and commitment to their positions, facing the challenges together with joint efforts. At the same time, the Board would like to extend our sincere gratitude to our customers for their support and trust over the years, and thank our Shareholders, business partners and suppliers for their long term trust in the Group. The Group will continue to strive for progress in the spirit of innovation, grow together with business partners, and promote the long-term sustainable development of the Group’s business.

By Order of the Board

Wah Sun Handbags International Holdings Limited

Ma Hing Man

Chairman and Executive Director

Hong Kong, 23 November 2020

Report on Review of Condensed Consolidated Financial Statements



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 38, which comprises the interim condensed consolidated statement of financial position of Wah Sun Handbags International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 September 2020 and the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 November 2020

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Condensed Consolidated Income Statement

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	6	179,902	444,890
Cost of sales		(155,326)	(368,832)
Gross profit		24,576	76,058
Other income	6	27	8
Other (losses)/gains, net	6	(1,106)	4,638
Selling and distribution expenses		(10,258)	(19,709)
Administrative expenses		(13,292)	(23,944)
Reversal of/(provision for) impairment of trade receivables	16	2,808	(2,658)
Operating profit		2,755	34,393
Finance income		300	385
Finance costs		(1,285)	(2,535)
Finance costs, net	7	(985)	(2,150)
Profit before income tax	8	1,770	32,243
Income tax expenses	9	(1,214)	(6,684)
Profit for the period attributable to owners of the Company		556	25,559
		HK cents	HK cents
Basic and diluted earnings per share for profit attributable to owners of the Company	11	0.1	6.3

The notes on pages 24 to 38 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	556	25,559
Other comprehensive income/(loss):		
<i>Item that may be reclassified subsequently to profit or loss</i>		
– Currency translation differences	346	(815)
	346	(815)
Total comprehensive income for the period attributable to owners of the Company	902	24,744

The notes on pages 24 to 38 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	12	24,975	26,072
Property, plant and equipment	13	48,228	52,613
Financial asset at fair value through profit or loss	14	1,270	1,251
Deferred income tax assets		3,232	2,254
Prepayment for plant and equipment	16	–	76
		77,705	82,266
Current assets			
Inventories	15	90,363	103,867
Trade receivables	16	57,291	92,739
Prepayments, deposits and other receivables	16	14,364	13,906
Current income tax recoverable		942	939
Pledged bank deposits	17	23,601	23,432
Cash and cash equivalents	17	97,443	84,511
		284,004	319,394
Total assets		361,709	401,660
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	4,086	4,086
Share premium	18	109,611	109,611
Exchange reserve		2,261	1,915
Capital reserve		21,656	21,656
Retained earnings		93,011	100,628
Total equity		230,625	237,896

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		572	669
Lease liabilities	12	23,445	24,377
		24,017	25,046
Current liabilities			
Trade and bills payables	19	78,912	117,128
Accruals and other payables	19	14,628	14,495
Current income tax liabilities		3,505	1,245
Lease liabilities	12	1,849	1,820
Borrowings	20	–	4,030
Dividend payable	10	8,173	–
		107,067	138,718
Total liabilities		131,084	163,764
Total equity and liabilities		361,709	401,660

The notes on pages 24 to 38 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000 (Note 18)	Share premium HK\$'000 (Note 18)	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 31 March 2019 (Audited)	4,086	109,611	2,534	21,656	105,887	243,774
Comprehensive income						
Profit for the period	-	-	-	-	25,559	25,559
Other comprehensive loss						
Currency translation difference	-	-	(815)	-	-	(815)
Total comprehensive income/(loss)	-	-	(815)	-	25,559	24,744
2018/19 final dividend	-	-	-	-	(16,345)	(16,345)
As at 30 September 2019 (Unaudited)	4,086	109,611	1,719	21,656	115,101	252,173
As at 31 March 2020 (Audited)	4,086	109,611	1,915	21,656	100,628	237,896
Comprehensive income						
Profit for the period	-	-	-	-	556	556
Other comprehensive income						
Currency translation difference	-	-	346	-	-	346
Total comprehensive income	-	-	346	-	556	902
2019/20 final dividend (Note 10)	-	-	-	-	(8,173)	(8,173)
As at 30 September 2020 (Unaudited)	4,086	109,611	2,261	21,656	93,011	230,625

The notes on pages 24 to 38 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash generated from operations	17,735	11,016
Income tax paid	(10)	(1,171)
Net cash generated from operating activities	17,725	9,845
Cash flows from investing activities		
Purchases of property, plant and equipment	(179)	(3,849)
Increase in pledged bank deposits	(169)	(154)
Interest received	300	385
Net cash used in investing activities	(48)	(3,618)
Cash flows from financing activities		
Proceeds from borrowings	–	9,490
Repayment of borrowings	(4,030)	(16,140)
Payment of lease liabilities	(744)	(1,488)
Interest paid	(700)	(1,921)
Dividend paid	–	(127)
Net cash used in financing activities	(5,474)	(10,186)
Net increase/(decrease) in cash and cash equivalents	12,203	(3,959)
Cash and cash equivalents at beginning of the period	84,511	92,668
Currency translation difference	729	(1,252)
Cash and cash equivalents at end of the period	97,443	87,457

The notes on pages 24 to 38 are an integral part of these Condensed Consolidated Financial Statements.



Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

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

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

The issued shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2. BASIS OF PREPARATION

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

It should be read in conjunction with the annual financial statements for the year ended 31 March 2020, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

Notes to the Condensed Consolidated Interim Financial Information

3. ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2020 as described in those annual financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below:

New and amended standards adopted by the Group:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework For Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19 related rent concessions totalling HK\$744,000, which have been accounted for as negative variable lease payments and recognised in administrative expenses in the condensed consolidated income statement for the period ended 30 September 2020, with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity as at 1 April 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

Notes to the Condensed Consolidated Interim Financial Information

5. SEGMENT INFORMATION

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

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

Geographical information

The Company is domiciled in Hong Kong.

The analysis of revenue by geographical area is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The United States of America	134,034	341,033
Spain	10,537	26,129
Other countries	35,331	77,728
	179,902	444,890

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 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
	Cambodia	60,550
The People's Republic of China (the "PRC")	11,803	13,611
Hong Kong	850	1,111
	73,203	78,761

Notes to the Condensed Consolidated Interim Financial Information

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

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue:		
Sales of goods	179,902	444,890

Revenue of HK\$75,000 (30 September 2019: HK\$604,000) recognised for the six months ended 30 September 2020 relates to carried-forward contract liabilities in the prior year.

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other income:		
Sundry income	27	8
Other (losses)/gains, net:		
Net exchange (losses)/gains	(1,341)	4,385
Fair value change of financial asset at fair value through profit or loss	19	18
Gain on sales of scrap materials	216	235
	(1,106)	4,638
	(1,079)	4,646

Notes to the Condensed Consolidated Interim Financial Information

7. FINANCE COSTS, NET

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Finance costs:		
– Interest expense on bank borrowings	(68)	(244)
– Interest expense on bills payables	(632)	(1,677)
– Interest expense on lease liabilities	(585)	(614)
	(1,285)	(2,535)
Finance income:		
– Interest income on bank deposits	300	385
Finance costs, net	(985)	(2,150)

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of raw materials consumed	87,803	210,957
Sub-contracting charges	27,804	74,804
Transportation and customs charges	9,420	18,093
Short-term lease payments	120	260
Employee benefit expense	40,414	87,372
Depreciation on right-of-use assets	1,097	1,096
Depreciation on property, plant and equipment	4,648	4,617
Legal and professional fees	1,486	1,459

Notes to the Condensed Consolidated Interim Financial Information

9. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current income tax:		
– Hong Kong profits tax	2,238	4,489
– Overseas taxation	20	1,950
Deferred income tax	2,258 (1,044)	6,439 245
	1,214	6,684

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the six months ended 30 September 2020, 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. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

10. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: Nil).

A final dividend of HK1.0 cent per share and a special dividend of HK1.0 cent per share for the year ended 31 March 2020 amounting to an aggregate of approximately HK\$8,173,000 was approved at the annual general meeting of the Company held on 7 September 2020, and was paid on 29 October 2020.

Notes to the Condensed Consolidated Interim Financial Information

11. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	556	25,559
Weighted average number of shares in issue (in thousands)	408,626	408,626
Basic earnings per share (HK cents)	0.1	6.3

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 30 September 2020 and 2019.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Rights-of-use assets

	Land under non-cancellable operating leases (Note) HK\$'000	Land use rights HK\$'000	Total HK\$'000
As at 1 April 2019 (Audited)	27,959	306	28,265
Depreciation	(2,149)	(44)	(2,193)
As at 31 March 2020 (Audited)	25,810	262	26,072
As at 1 April 2020 (Audited)	25,810	262	26,072
Depreciation (Note 8)	(1,075)	(22)	(1,097)
As at 30 September 2020 (Unaudited)	24,735	240	24,975

Notes to the Condensed Consolidated Interim Financial Information

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

Lease liabilities ^(Note)

	HK\$'000
As at 1 April 2019 (Audited)	27,959
Interest expense on lease liabilities	1,214
Payment of lease liabilities	(2,976)
As at 31 March 2020 (Audited)	26,197
Represents:	
Current portion	1,820
Non-current portion	24,377
	26,197
As at 1 April 2020 (Audited)	26,197
Interest expense on lease liabilities ^(Note 7)	585
COVID-19 Related Rent Concessions	(744)
Payment of lease liabilities	(744)
As at 30 September 2020 (Unaudited)	25,294
Represents:	
Current portion	1,849
Non-current portion	23,445
	25,294

Note: As at 30 September 2020, the Group recognised right-of-use assets of HK\$24,735,000 (31 March 2020: HK\$25,810,000) and lease liabilities of HK\$25,294,000 (31 March 2020: HK\$26,197,000) in respect of a lease entered with a related party (Note 22(b)).

Notes to the Condensed Consolidated Interim Financial Information

13. PROPERTY, PLANT AND EQUIPMENT

Net book value:	HK\$'000
As at 1 April 2019 (Audited)	57,636
Additions	4,341
Depreciation charge	(9,310)
Currency translation differences	(54)
As at 31 March 2020 (Audited)	52,613
Net book value:	HK\$'000
As at 1 April 2020 (Audited)	52,613
Additions	255
Depreciation charge (Note 8)	(4,648)
Currency translation differences	8
As at 30 September 2020 (Unaudited)	48,228

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Financial asset at fair value through profit or loss – key management insurance contract	1,270	1,251

Valuation process

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

15. INVENTORIES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Raw materials	27,828	22,909
Work-in-progress	56,877	63,871
Finished goods	5,658	17,087
	90,363	103,867

The cost of raw materials consumed recognised as expense and included in "cost of sales" in the condensed consolidated income statement amounted to HK\$87,803,000 for the six months ended 30 September 2020 (for the six months ended 30 September 2019: HK\$210,957,000).

16. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade receivables	96,304	134,560
Less: provision for impairment of trade receivables	(39,013)	(41,821)
Trade receivables, net (<i>Note</i>)	57,291	92,739
Deposits	1,090	1,167
Prepayments	4,076	3,489
Value-added tax recoverable	9,192	9,030
Other receivables	6	296
	14,364	13,982
Less: non-current portion Prepayment for plant and equipment	–	(76)
Current portion	14,364	13,906

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

Notes to the Condensed Consolidated Interim Financial Information

16. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note:

Trade receivables

The credit terms of trade receivables generally range from 30 to 120 days from the invoice date. The ageing analysis of the gross trade receivables based on the invoice date is as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within 30 days	20,129	25,075
31 to 60 days	15,284	49,013
61 to 90 days	22,872	31,676
Over 90 days	38,019	28,796
	96,304	134,560

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Cash at bank	96,116	81,536
Cash on hand	1,327	2,975
Cash and cash equivalents	97,443	84,511
Pledged bank deposits	23,601	23,432
Cash and bank balances	121,044	107,943
Maximum exposure to credit risk	119,717	104,968

As at 30 September 2020, pledged bank deposits of HK\$23,601,000 (31 March 2020: HK\$23,432,000) were held at bank securing bank facilities and bank borrowings. Cash at bank and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

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

Notes to the Condensed Consolidated Interim Financial Information

18. SHARE CAPITAL AND SHARE PREMIUM

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

Authorised share capital:

	Number of shares	Nominal value of ordinary shares HK\$'000
As at 31 March 2020 (Audited) and 30 September 2020 (Unaudited)	5,000,000,000	50,000

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000
As at 31 March 2020 (Audited) and 30 September 2020 (Unaudited)	408,626,000	4,086	109,611

Notes to the Condensed Consolidated Interim Financial Information

19. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade payables	64,230	64,394
Bills payables	14,682	52,734
Trade and bills payables (<i>Note</i>)	78,912	117,128
Accruals and other payables		
– Accrued salaries	6,541	9,220
– Other accruals and payables	7,617	5,200
– Contract liabilities	470	75
	14,628	14,495
	93,540	131,623

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

Note:

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

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within 30 days	26,177	29,251
31 to 60 days	13,107	16,464
61 to 90 days	13,207	47,021
Over 90 days	26,421	24,392
	78,912	117,128

Notes to the Condensed Consolidated Interim Financial Information

20. BORROWINGS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Bank borrowings	–	4,030

For the six months ended 30 September 2020, the Group repaid borrowings in aggregate amount of HK\$4,030,000. As at 31 March 2020, the weighted average interest rates of the bank borrowings were 4.75%.

21. CAPITAL COMMITMENTS

As at 30 September 2020, capital expenditure contracted for but not yet incurred are as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Property, plant and equipment	–	178

22. RELATED PARTY TRANSACTIONS

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

For the six months ended 30 September 2020, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Rental expenses paid or payable to related parties		
– Ms. Dong Yan (<i>Note</i>)	744	1,488
– Ms. Ma Lan Chu and Ms. Yung Ngan Sim	72	144
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	42	84
	858	1,716

Note: As at 30 September 2020, the Group recognised right-of-use assets and lease liabilities (*Note 12*) in respect of the lease entered with this related party.

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries, bonus and other allowances	3,196	5,026
Retirement benefit costs		
– Mandatory Provident Fund Scheme	42	76
	3,238	5,102