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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)

PROFIT WARNING ANNOUNCEMENT

This announcement is made by Wah Sun Handbags International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, to the best knowledge and belief of the Board and based on the information currently available to the Company and the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 March 2023 (the “**Reporting Year**”), it is anticipated that the Group will record net profit attributable to owners of the Company within the range from approximately HK\$7 million to HK\$11 million for the Reporting Year as compared to net profit attributable to owners of the Company of approximately HK\$40 million recorded for the year ended 31 March 2022 (the “**Previous Year**”).

The decrease in net profit attributable to owners of the Company for the Reporting Year as compared to the Previous Year was mainly attributable to the following factors:

- (i) the decrease in revenue by approximately HK\$171 million to approximately HK\$447 million for the Reporting Year from approximately HK\$618 million for the Previous Year, representing a decrease of approximately 28%. This was mainly attributable to the unfavorable global business environment, as the Group’s customers, especially those from the United States of America (the “**US**”), were more cautious when placing orders and the volume of each order was lower than on previous occasions as the consumer market of the US has been influenced by the increasing trend of interest rate and inflation rate which affected their purchasing power and consumer confidence in return; and
- (ii) the decrease in gross profit and gross profit margin led by the decrease in revenue as a result of (i) above and keen pricing competition from competitors with factories located in Southeast Asia during the Reporting Year while operations of these competitors were disrupted by a series of containment measures as a result of the novel coronavirus disease 2019 in the Previous Year.

As a result of the foregoing, the gross profit for the Reporting Year decreased as compared to the Previous Year. However, such decrease had been partially alleviated by the following factors:

- (i) the exchange gains arising from the depreciation of Renminbi (“**RMB**”) against Hong Kong dollars (“**HK\$**”) in the Reporting Year while exchange losses were recorded during the Previous Year arising from appreciation of RMB against HK\$;
- (ii) the decrease in sales and distribution expenses primarily due to the decrease in transportation and customs charges, which was in line with the decrease in the level of sales activity;
- (iii) the reversal of provision for impairment on trade receivables in the Reporting Year as a result of recovery from certain receivables which had previously been provided for; and
- (iv) the decrease in income tax expenses as a result of the decrease in assessable profit in the Reporting Year.

As the Company is still in the process of finalising the unaudited annual results of the Group for the Reporting Year, the information contained in this announcement is only based on the preliminary assessment by the management of the Company with reference to the unaudited consolidated management accounts of the Group for the Reporting Year, which have not been confirmed, reviewed or audited by the Company’s auditors or audit committee of the Company and therefore may be different from the actual audited annual results of the Group for the Reporting Year. Detailed financial information of the Group will be disclosed in the annual results announcement of the Group for the Reporting Year which is expected to be issued in June 2023 pursuant to the requirements of the Listing Rules.

The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

For and on behalf of
Wah Sun Handbags International Holdings Limited
Ma Hing Man
Chairman and Executive Director

Hong Kong, 31 May 2023

As at the date of this announcement, the Company’s executive directors are Mr. Ma Hing Man (Chairman), Mr. Ma Hing Ming (Chief Executive Officer), Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung; and the Company’s independent non-executive directors are Mr. Lam Kwok Cheong, Mr. Wong Wai Keung Frederick and Mr. Yeung Chi Wai.