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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023, DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The board (“**Board**”) of directors (the “**Directors**”) of Wah Sun Handbags International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2023 (“**1H2023**”) together with the comparative figures for the six months ended 30 September 2022 (“**1H2022**”).

HIGHLIGHTS

- Revenue for 1H2023 increased by approximately 35.1% to approximately HK\$334.5 million (1H2022: approximately HK\$247.6 million).
- Gross profit for 1H2023 increased by approximately 77.5% to approximately HK\$62.1 million (1H2022: approximately HK\$35.0 million).
- Gross profit margin for 1H2023 increased by approximately 4.5% to approximately 18.6% (1H2022: approximately 14.1%).
- Provision for impairment of trade receivables for 1H2023 of approximately HK\$3.1 million (1H2022: reversal of provision for impairment of trade receivables of approximately HK\$2.5 million).
- Net profit for 1H2023 attributable to owners of the Company increased by approximately HK\$13.6 million to approximately HK\$20.9 million (1H2022: approximately HK\$7.3 million).
- Earnings per share attributable to owners of the Company for 1H2023 increased by approximately HK3.3 cents to approximately HK5.1 cents (1H2022: approximately HK1.8 cents).
- The Board resolved to distribute an interim dividend of HK2.0 cents per ordinary share of the Company (each a “**Share**” and collectively, the “**Shares**”) (1H2022: HK1.0 cent per Share) and a special dividend of HK1.0 cent per Share (1H2022: Nil) for 1H2023.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 September	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5 & 6	334,472	247,590
Cost of sales		(272,326)	(212,575)
Gross profit		62,146	35,015
Other income	6	1,951	131
Other gains, net	6	2,421	5,009
Selling and distribution expenses		(13,646)	(11,479)
Administrative expenses		(23,994)	(22,449)
(Provision for)/reversal of provision for impairment of trade receivables		(3,139)	2,477
Operating profit		25,739	8,704
Finance income		1,314	123
Finance costs		(2,389)	(1,438)
Finance costs, net	7	(1,075)	(1,315)
Profit before income tax	8	24,664	7,389
Income tax expenses	9	(4,254)	(1,172)
Profit for the period		20,410	6,217
Profit attributable to:			
Owners of the Company		20,907	7,313
Non-controlling interests		(497)	(1,096)
		20,410	6,217
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share for profit attributable to owners of the Company	11	5.1	1.8

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	20,410	6,217
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss</i>		
– Currency translation differences	(27)	(119)
Total comprehensive income for the period	20,383	6,098
Attributable to:		
Owners of the Company	20,880	7,194
Non-controlling interests	(497)	(1,096)
	20,383	6,098

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	12	20,773	22,694
Property, plant and equipment	13	43,535	43,950
Investment property	14	4,844	5,900
Financial asset at fair value through profit or loss	15	1,392	1,371
Deferred income tax assets		2,834	2,516
		73,378	76,431
Current assets			
Inventories	16	84,746	128,585
Trade receivables	17	69,619	36,393
Prepayments, deposits and other receivables	17	12,452	13,773
Current income tax recoverable		164	172
Pledged bank deposits	18	24,491	23,980
Cash and cash equivalents	18	147,528	103,043
		339,000	305,946
Total assets		412,378	382,377
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	4,086	4,086
Share premium	19	109,611	109,611
Exchange reserve		2,544	2,571
Capital reserve		21,656	21,656
Retained earnings		126,103	109,282
		264,000	247,206
Non-controlling interests		(3,146)	(2,649)
Total equity		260,854	244,557

		As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		123	–
Lease liabilities	12	18,613	20,419
		18,736	20,419
Current liabilities			
Trade and bills payables	20	94,970	93,103
Accruals and other payables	20	25,814	20,375
Current income tax liabilities		4,503	515
Lease liabilities	12	3,415	3,408
Dividend payable	10	4,086	–
		132,788	117,401
Total liabilities		151,524	137,820
Total equity and liabilities		412,378	382,377

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total	Non- controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Capital reserve	Retained earnings			
	<i>HK\$'000</i> <i>(Note 19)</i>	<i>HK\$'000</i> <i>(Note 19)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>			
As at 31 March 2022 (Audited)	4,086	109,611	2,697	21,656	121,218	259,268	(161)	259,107
Comprehensive income								
Profit/(loss) for the period	-	-	-	-	7,313	7,313	(1,096)	6,217
Other comprehensive income								
Currency translation difference	-	-	(119)	-	-	(119)	-	(119)
Total comprehensive (loss)/income	-	-	(119)	-	7,313	7,194	(1,096)	6,098
2021/22 dividend (Note 10)	-	-	-	-	(16,345)	(16,345)	-	(16,345)
As at 30 September 2022 (Unaudited)	<u>4,086</u>	<u>109,611</u>	<u>2,578</u>	<u>21,656</u>	<u>112,186</u>	<u>250,117</u>	<u>(1,257)</u>	<u>248,860</u>
As at 31 March 2023 (Audited)	<u>4,086</u>	<u>109,611</u>	<u>2,571</u>	<u>21,656</u>	<u>109,282</u>	<u>247,206</u>	<u>(2,649)</u>	<u>244,557</u>
Comprehensive income								
Profit/(loss) for the period	-	-	-	-	20,907	20,907	(497)	20,410
Other comprehensive loss								
Currency translation difference	-	-	(27)	-	-	(27)	-	(27)
Total comprehensive (loss)/income	-	-	(27)	-	20,907	20,880	(497)	20,383
2022/23 dividend (Note 10)	-	-	-	-	(4,086)	(4,086)	-	(4,086)
As at 30 September 2023 (Unaudited)	<u>4,086</u>	<u>109,611</u>	<u>2,544</u>	<u>21,656</u>	<u>126,103</u>	<u>264,000</u>	<u>(3,146)</u>	<u>260,854</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from operations	52,298	26,040
Income tax paid	(452)	(909)
	51,846	25,131
Net cash generated from operating activities	51,846	25,131
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,871)	(5,733)
Increase in pledged bank deposits	(511)	(56)
Interest received	1,314	123
	(2,068)	(5,666)
Net cash used in investing activities	(2,068)	(5,666)
Cash flows from financing activities		
Payment of lease liabilities	(2,300)	(1,893)
Interest paid	(1,818)	(855)
	(4,118)	(2,748)
Net cash used in financing activities	(4,118)	(2,748)
Net increase in cash and cash equivalents	45,660	16,717
Cash and cash equivalents at beginning of the period	103,043	116,547
Currency translation difference	(1,175)	(1,949)
Cash and cash equivalents at end of the period	147,528	131,315

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 May 2017 as an exempted limited liability company under the Companies Act (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 major subsidiaries principally engage in manufacture and trade handbag products. The ultimate holding company of the Company is Wah Sun International Holdings Limited, a company incorporated in the British Virgin Islands. The ultimate controlling parties of the Group are all family members within the 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 an acting in concert deed.

The Shares are listed on the Main Board of the Stock Exchange.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 2023, prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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 2023 as described therein, except for the estimation of income tax and the adoption of new and amended standards as set out below:

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning on 1 April 2023 and currently relevant to the Group:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – pillar two model rules
HKFRS 17	Insurance contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – Comparative information

The adoption of the above amendments to standards did not have any significant impact to the results and financial position of the Group.

(b) Amendments to existing standards and interpretation have been issued but are not effective during the period and have not been early adopted by the Group

The Group has not early adopted the following amendments to existing standards and interpretation that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 April 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 April 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 April 2024
Hong Kong Interpretation 5 (Revised)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 April 2024
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 amendments to existing standards and interpretation that are not yet effective are expected to have a material impact on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

3. 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 are the same as those that applied to the consolidated financial statements for the year ended 31 March 2023.

4. FINANCIAL RISK MANAGEMENT

4.1 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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2023. There have been no significant changes in the risk management policies since year end.

4.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2023, 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 carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values. The fair value estimation of the financial assets at fair value through profit or loss is set out in Note 15.

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The United States of America (the "US")	281,736	194,257
Canada	22,538	14,358
Other countries	30,198	38,975
	<u>334,472</u>	<u>247,590</u>

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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
The Kingdom of Cambodia (“ Cambodia ”)	45,322	45,967
The People’s Republic of China (the “ PRC ”)	13,789	16,716
Hong Kong	10,041	9,861
	<u>69,152</u>	<u>72,544</u>

6. REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue:		
Sales of goods	<u>334,472</u>	<u>247,590</u>

Revenue of HK\$316,000 (30 September 2022: HK\$308,000) recognised for the six months ended 30 September 2023 relates to carried-forward contract liabilities in the prior year.

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income:		
Rental income	1,932	–
Sundry income	<u>19</u>	<u>131</u>
	<u>1,951</u>	<u>131</u>
Other gains, net:		
Net exchange gains	2,290	4,759
Fair value change of financial asset at fair value through profit or loss	21	20
Gain on sales of scrap materials	<u>110</u>	<u>230</u>
	<u>2,421</u>	<u>5,009</u>
	<u>4,372</u>	<u>5,140</u>

7. FINANCE COSTS, NET

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance costs:		
– Interest expense on bills payables	(1,818)	(855)
– Interest expense on lease liabilities	(571)	(583)
	<u>(2,389)</u>	<u>(1,438)</u>
Finance income:		
– Interest income on bank deposits	1,314	123
Finance costs, net	<u>(1,075)</u>	<u>(1,315)</u>

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	166,014	100,495
Sub-contracting charges	35,671	36,849
Transportation and customs charges	9,193	8,707
Short-term lease payments	144	144
Employee benefit expense (<i>Note</i>)	82,477	82,039
Depreciation on right-of-use assets	1,792	1,471
Depreciation on property, plant and equipment	2,967	3,801
Depreciation on investment property	1,051	–
Legal and professional fees	1,611	1,406
Provision for/(reversal of provision for) impairment of trade receivables	3,139	(2,477)
	<u>3,139</u>	<u>(2,477)</u>

Note: As at 30 September 2023 and 2022, the Group had no forfeited contribution available to reduce its existing level of contribution to the retirement benefit schemes in future years.

9. INCOME TAX EXPENSES

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	3,932	1,342
– Overseas taxation	560	9
	<u>4,492</u>	<u>1,351</u>
Deferred income tax	(238)	(179)
	<u>4,254</u>	<u>1,172</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the six months ended 30 September 2023, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25% (2022: 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

Dividends attributable to the previous financial year, approved and paid during the period

A special dividend of HK1.0 cent per Share for the year ended 31 March 2023 amounting to an aggregate of approximately HK\$4,086,000 was approved at the annual general meeting of the Company held on 4 September 2023, and was paid on 26 October 2023.

Dividends attributable to the period

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend of HK2.0 cents per Share (30 September 2022: HK1.0 cent per Share)	8,173	4,086
Special dividend of HK1.0 cent per Share (30 September 2022: Nil)	4,086	–
	<u>12,259</u>	<u>4,086</u>

On 27 November 2023, the Directors declared an interim dividend of HK2.0 cents per Share (30 September 2022: HK1.0 cent per Share) and a special dividend of HK1.0 cent per Share (30 September 2022: Nil) in respect of 1H2023 totalling HK\$12,259,000, which will be payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 5 January 2024.

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	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	20,907	7,313
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	408,626	408,626
Basic earnings per share (<i>HK cents</i>)	5.1	1.8

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 30 September 2023 and 2022.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Rights-of-use assets

	Land under non-cancellable operating leases (<i>Note</i>) <i>HK\$'000</i>	Land use rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2022 (Audited)	21,507	175	21,682
Additions	4,357	–	4,357
Depreciation	(3,240)	(44)	(3,284)
Currency translation differences	(61)	–	(61)
As at 31 March 2023 (Audited)	22,563	131	22,694
As at 1 April 2023 (Audited)	22,563	131	22,694
Depreciation (<i>Note 8</i>)	(1,768)	(24)	(1,792)
Currency translation differences	(129)	–	(129)
As at 30 September 2023 (Unaudited)	20,666	107	20,773

Lease liabilities (Note)

	<i>HK\$'000</i>
As at 1 April 2022 (Audited)	22,498
Additions	4,357
Interest expense on lease liabilities	1,190
Payment of lease liabilities	(4,156)
Currency translation differences	(62)
	<hr/>
As at 31 March 2023 (Audited)	23,827
	<hr/> <hr/>
Represents:	
Current portion	3,408
Non-current portion	20,419
	<hr/>
	23,827
	<hr/> <hr/>
As at 1 April 2023 (Audited)	23,827
Interest expense on lease liabilities (Note 7)	571
Payment of lease liabilities	(2,300)
Currency translation differences	(70)
	<hr/>
As at 30 September 2023 (Unaudited)	22,028
	<hr/> <hr/>
Represents:	
Current portion	3,415
Non-current portion	18,613
	<hr/>
	22,028
	<hr/> <hr/>

Note: As at 30 September 2023, the Group recognised right-of-use assets of HK\$18,281,000 (31 March 2023: HK\$19,357,000) and lease liabilities of HK\$19,565,000 (31 March 2023: HK\$20,558,000) in respect of a lease entered with a related party (Note 22(b)).

13. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value:	
As at 1 April 2022 (Audited)	51,190
Additions	7,237
Disposal	(29)
Reclassification to investment property	(6,980)
Depreciation charge	(7,085)
Currency translation differences	(383)
	<hr/>
As at 31 March 2023 (Audited)	43,950
	<hr/> <hr/>
Net book value:	<i>HK\$'000</i>
As at 1 April 2023 (Audited)	43,950
Additions	2,871
Depreciation charge (<i>Note 8</i>)	(2,967)
Disposal	(4)
Currency translation differences	(315)
	<hr/>
As at 30 September 2023 (Unaudited)	43,535
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14. INVESTMENT PROPERTY

	<i>HK\$'000</i>
As at 1 April 2022 (Audited)	–
Reclassification from property, plant and equipment	6,980
Depreciation charge	(1,073)
Currency translation differences	(7)
	<hr/>
As at 31 March 2023 (Audited)	5,900
	<hr/> <hr/>
As at 1 April 2023 (Audited)	5,900
Depreciation charge	(1,051)
Currency translation differences	(5)
	<hr/>
As at 30 September 2023 (Unaudited)	4,844
	<hr/> <hr/>

The Group leased a parcel of land in Dongguan, the PRC where the Group's old factory was located (the "Dongguan Old Factory") and the rental for the entire lease term, which is expiring in December 2025, was fully settled in 1997. Following the establishment of the principal production facilities of the Group in Cambodia (the "Cambodian Production Facility") and the relocation of production base from the PRC to Cambodia, the operation of the Dongguan Old Factory was scaled down to cover mainly product development, administration and production support to the Cambodian Production Facility when required. In July 2022, the Group leased another factory within the Dongguan district with reduced scale that is commensurate with existing and the upcoming business development plan of the Group for relocation of the operation of the Dongguan Old Factory, which was completed in August 2022. On the basis that Dongguan Old Factory will no longer be essential to the Group's future operations, management of the Group is planning to lease out the Dongguan Old Factory to generate rental income until the end of the lease term in 2025.

Accordingly, this industrial property in the PRC has been reclassified as investment property for accounting purposes as at 30 September 2022 and the Group has adopted the cost model under HKAS 40.

15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Financial asset at fair value through profit or loss – key management insurance contract	<u>1,392</u>	<u>1,371</u>

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.

16. INVENTORIES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Raw materials	29,483	46,235
Work-in-progress	28,205	48,373
Finished goods	<u>27,058</u>	<u>33,977</u>
	<u>84,746</u>	<u>128,585</u>

The cost of inventories recognised as expense and included in "cost of sales" in the condensed consolidated income statement amounted to HK\$166,014,000 for the six months ended 30 September 2023 (for the six months ended 30 September 2022: HK\$100,495,000).

17. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade receivables (<i>Note</i>)	75,032	38,667
Less: provision for impairment of trade receivables	<u>(5,413)</u>	<u>(2,274)</u>
Trade receivables, net	<u>69,619</u>	<u>36,393</u>
Deposits	1,356	1,483
Prepayments	5,076	6,029
Value-added tax recoverable	4,829	4,722
Other receivables	89	3
Accrued revenue	<u>1,102</u>	<u>1,536</u>
	<u>12,452</u>	<u>13,773</u>

The maximum exposure to credit risk as at 30 September 2023 was the carrying value of each class of receivables mentioned above. The Group did not hold any collateral as security. The carrying amounts of deposits, trade and other receivables excluding prepayments and value-added tax recoverable approximate their fair values.

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

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Within 30 days	45,127	37,771
31 to 60 days	24,770	849
61 to 90 days	4,499	2
Over 90 days	<u>636</u>	<u>45</u>
	<u>75,032</u>	<u>38,667</u>

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

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Beginning of the period/year	2,274	37,366
Provision for/(reversal of provision for) impairment	3,139	(4,319)
Write off	<u>–</u>	<u>(30,773)</u>
End of the period/year	<u>5,413</u>	<u>2,274</u>

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Cash at bank	146,703	102,730
Cash on hand	<u>825</u>	<u>313</u>
Cash and cash equivalents	147,528	103,043
Pledged bank deposits	<u>24,491</u>	<u>23,980</u>
Cash and bank balances	<u><u>172,019</u></u>	<u><u>127,023</u></u>
Maximum exposure to credit risk	<u><u>171,194</u></u>	<u><u>126,710</u></u>

As at 30 September 2023, pledged bank deposits of HK\$24,491,000 (31 March 2023: HK\$23,980,000) 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 funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

19. 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 <i>HK\$'000</i>
As at 31 March 2023 (Audited) and 30 September 2023 (Unaudited)	<u>5,000,000,000</u>	<u>50,000</u>

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
As at 31 March 2023 (Audited) and 30 September 2023 (Unaudited)	<u>408,626,000</u>	<u>4,086</u>	<u>109,611</u>

20. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	59,837	60,126
Bills payables	<u>35,133</u>	<u>32,977</u>
Trade and bills payables (<i>Note</i>)	<u>94,970</u>	<u>93,103</u>
Accruals and other payables		
– Accrued salaries	14,733	8,917
– Other accruals and payables	10,573	11,142
– Contract liabilities	<u>508</u>	<u>316</u>
	<u>25,814</u>	<u>20,375</u>
	<u>120,784</u>	<u>113,478</u>

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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Within 30 days	35,671	61,224
31 to 60 days	18,511	13,824
61 to 90 days	18,413	5,434
Over 90 days	<u>22,375</u>	<u>12,621</u>
	<u>94,970</u>	<u>93,103</u>

21. COMMITMENTS

The Group as a lessee

At 30 September 2023, no future lease payments for leases committed but not yet commenced in relation to leased properties (31 March 2023: Nil).

The Group as a lessor

The Group leases its industrial property in the PRC (Note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Within one year	4,940	5,166
After one year but within three years	6,106	8,958
	11,046	14,124

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
Ms. Yu Siu Mui	Non-controlling interests of a subsidiary of the Group

- (b) For the six months ended 30 September 2023 and 2022, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental expenses paid or payable to related parties		
– Ms. Dong Yan (<i>Note</i>)	1,488	1,488
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	84	84
	<u>1,572</u>	<u>1,572</u>
Emolument payable or paid		
– Ms. Yu Siu Mui	399	399
	<u>1,971</u>	<u>1,971</u>

Note: As at 30 September 2022, the Group recognised right-of-use assets and lease liabilities (Note 12) in respect of the lease entered into 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, bonus and other allowances	5,859	6,747
Retirement benefit costs		
– Mandatory Provident Fund Scheme	40	47
	<u>5,899</u>	<u>6,794</u>

BUSINESS REVIEW AND OUTLOOK

The Company is a non-leather handbag original equipment manufacturer (“OEM”). The Group principally manufactures and trades handbag products.

During 1H2023, with the lifting of the novel coronavirus disease 2019 (the “COVID-19”) epidemic prevention and control measures, the world economy showed initial signs of recovery. Although the economic activities had grown modestly in the US and Europe, our customers still had to seek a balance between logistical risks and inventory pressure. Considerable uncertainties remained in the international community, especially when the Russo-Ukrainian War has triggered the energy crisis across the world, leading to a price surge of various raw materials that had squeezed profit due to higher costs.

Major economies in the world have shown recovery and should further improve the overall sentiment. However, the downside risk has increased as the consumer market in the US, which accounted for more than 80% of the Group’s total revenue, may be influenced by the increasing trend of interest rate and inflation rate in the US which may affect their purchasing power and consumer confidence in return.

Besides, the trade dispute between the PRC and the US which has persisted with occasional confrontation flaring up.

In a volatile operating environment, the Group places great emphasis on sustainability and internal control of business operations, and spares no effort to disperse production risks. Against the backdrop of the increasing complexity of global competition and co-operation, Cambodia has continuously become one of the most highly sought-after production bases by global manufacturing enterprises due to its advantages in terms of population, labour costs and cultural standards, as well as the local government’s commitment to ensuring stable operations for supply chain companies. The Group initiated its Cambodian production capacity plan as early as 2013. Currently, the Cambodian production base accounts for approximately 90% of the Group’s total production capacity, combining scale, power, agility and high quality output to effectively cater for the rapid recovery and the large number of orders from our customers in overseas markets. At the same time, the Cambodian base has also become a precious resource in the supply chain which brand partners are vying to secure, due to its improving core indicators of cost, efficiency and profitability.

The generalised system of preferences program of the US (the “US GSP”) which covered a period of three years from 1 January 2018 to 31 December 2020, allowed all eligible goods to the US from all beneficiary countries and territories under the program, including Cambodia, to be exempted from import tariffs. The US GSP program expired on 31 December 2020 accordingly and has yet to be re-authorised by the US Congress as at the date of this announcement. Nevertheless, the management of the Company (the “Management”) believes that Cambodia is still expected to remain as one of the preferred manufacturing locations for its customers due to its relatively low labour costs and relatively stable general political situation when compared with some of the other Southeast Asian countries. Besides, the Management considers that competition in the handbag OEM industry is based on various factors, including quality of products, product development and price. With the Group’s experienced management team, long-standing history and good reputation in the industry, well-established quality control system and stable business relationships with its customers, the Management believes that the Group has a competitive advantage over its competitors.

Despite the drastic changes in the markets, the Management prudently and calmly confronted those challenges by swiftly modifying the operation strategies of the Group. For 1H2023, the revenue of the Group increased by approximately HK\$86.9 million or 35.1% to HK\$334.5 million when compared with that of 1H2022. For 1H2023, profit attributable to owners of the Company increased by approximately HK\$13.6 million to approximately HK\$20.9 million from approximately HK\$7.3 million for 1H2022.

In respect of industry development, modern consumers seek handbags that not only offer aesthetic appeal and brand prestige but also practicality and functionality. Many brands strive to integrate fashion-forward designs with practical features, such as multiple compartments, adjustable straps, and internal organisation. In addition, the increasing preference for sustainable and eco-friendly handbags among customers is offering strong growth opportunities in the market. Handbag manufacturers/brands may offer products made with vegan leather, plant-based and upcycled materials, and sustainable materials. Furthermore, with the increased spending on goods through online platforms triggered by a shift in consumer habits in the recent years, the market has been experiencing significant growth. Startup e-retailers and e-commerce websites have gained more traction owing to festive/seasonal sales and discounted prices, convenience, and the availability of an extensive range of products on websites. However, physical stores still play a significant role, offering customers the opportunity to touch and try on products. The handbag industry is a constantly evolving market, and trends may vary over time, seasons, and other factors.

North America is expected to remain dominant throughout the upcoming financial period. The fashion industry's expanding influence over a wider population is expected to fuel the demand for handbags in the North American region, given the high discretionary wealth of people. Furthermore, clearance sales and Black Friday deals are popular in the US, with women, in particular, crowding to acquire accessories such as purses. During these events, international suppliers in the North American regional market see a boost in sales. The market in the Asia Pacific region has witnessed a substantial growth in online retail. E-commerce platforms provide consumers with easy access to a wide range of handbag options, including international brands. Online marketplaces, brand websites, and social media platforms play a vital role in driving sales and reaching customers in the region. Handbag market experiences ongoing shifts in trends and consumer preferences. These trends can vary from season to season and can be influenced by factors such as celebrity endorsements, fashion shows, social medias and cultural influences.

In the post-COVID-19 era and with uncertainties in the international social and economic environment, the Management is confronted with unprecedented challenges, but is also presented with opportunities not seen before. The Management will continue to take prudent and responsible measures to preserve a healthy financial position to sustain the Group's operations. While the Group expects to continue to face pricing competition from other operators with factories in Southeast Asia, the Group will continue to leverage on our economies of scales and further enhance its manufacturing efficiency and production flexibility, new revenue streams and balanced growth to bring sustainable returns to the Shareholders.

The Company attached great importance to Shareholders' return. With due regard to the Company's business development, the Board resolved to distribute an interim dividend of HK2.0 cents per Share (1H2022: HK1.0 cent per Share) and a special dividend of HK1.0 cent per Share (1H2022: Nil) for 1H2023.

FINANCIAL REVIEW

Revenue

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

The Group's revenue increased to approximately HK\$334.5 million for 1H2023 from approximately HK\$247.6 million for 1H2022, representing an increase of approximately 35.1%.

The Group recorded an increase of revenue from customers in the US by approximately HK\$87.4 million or 45.0% during 1H2023 from approximately HK\$194.3 million for 1H2022 to approximately HK\$281.7 million for 1H2023. This was mainly due to the continuing market recovery after the COVID-19 pandemic in North America, the largest market of the Group, which resulted in a renewed sense of optimism and consumer confidence despite being somewhat dampened by macroeconomic uncertainties, leading to increased spending and demand of our product.

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) is set out below:

	Six months ended 30 September			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Cambodia	316,950	95	224,164	91
Dongguan, the PRC	17,522	5	23,426	9
	<u>334,472</u>	<u>100</u>	<u>247,590</u>	<u>100</u>

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

The Group's sales to its top five customers accounted for approximately 98% of the total revenue for 1H2023, with the Group's sales to its largest customer accounting for approximately 31% of the total revenue for 1H2023.

The Group continued to solidify its reputation for high quality products and demonstrated its strong abilities to co-operate well with different types of 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	
	2023	2022
	(Unaudited)	(Unaudited)
Revenue (<i>HK\$'000</i>)	334,472	247,590
Quantities sold (<i>Unit'000</i>)	4,515	3,064
Average selling price (<i>HK\$/Unit</i>)	74.1	80.8

The decrease in average unit selling price was mainly due to the change in the complexity of products sold which affected the overall average 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 increased to approximately HK\$272.3 million for 1H2023 from approximately HK\$212.6 million for 1H2022, representing an increase of approximately 28.1%.

The increase in terms of percentage of the Group's cost of sales was less than that of the revenue increase during 1H2023 as compared to that for 1H2022, mainly due to continuing implementation of certain stringent cost control measures which successfully reduced the base production operating costs of the Group.

Gross profit and gross profit margin

With the factors as mentioned above, the Group's gross profit increased to approximately HK\$62.1 million for 1H2023 from approximately HK\$35.0 million for 1H2022, representing an increase of approximately 77.5%, and the Group's gross profit margin increased to 18.6% for 1H2023 from 14.1% for 1H2022, representing an increase of 4.5%.

Other gains, net

The Group's other gains primarily consist of (i) net exchange gains of approximately HK\$2.3 million for 1H2023 (1H2022: net exchange gains of approximately HK\$4.8 million) mainly arising from the depreciation of RMB against HK\$ during 1H2023; and (ii) gain on sales of scrap materials of approximately HK\$0.1 million for 1H2023 (1H2022: approximately 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 increased to approximately HK\$13.6 million for 1H2023 from approximately HK\$11.5 million for 1H2022, representing an increase of approximately 18.9%. The increase was primarily due to the increase in transportation and insurance expenses, which was mainly because of the increase in the level of sales activity.

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.

Provision for impairment of trade receivables

As at 30 September 2023, the Group assessed the recoverability of trade receivables under the impairment model of HKFRS 9. 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.

Based on the latest information made available to the Board as at the date hereof, a provision for impairment of trade receivables, determined by way of the expected credit loss model, of approximately HK\$3.1 million has been made and charged to the condensed consolidated income statement of the Group as an expense for 1H2023.

Finance costs, net

Net finance costs decreased by approximately HK\$0.2 million or 18.3% from approximately HK\$1.3 million for 1H2022 to approximately HK\$1.1 million for 1H2023.

The decrease was mainly due to the increase in the interest income on bank deposits for 1H2023.

Income tax expenses

The Group's income tax expenses increased by approximately HK\$3.1 million or 263.0% from HK\$1.2 million for 1H2022 to approximately HK\$4.3 million for 1H2023.

The increase was mainly due to the increase in assessable profit for 1H2023.

Profit for the period

As a result of the foregoing, profit for the period attributable to owners of the Company increased by approximately HK\$13.6 million or 185.9% to approximately HK\$20.9 million for 1H2023 from approximately HK\$7.3 million for 1H2022 and the net profit margin increased from 2.5% for 1H2022 to 6.1% for 1H2023.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and pledge of assets

As at 30 September 2023, the Group had no borrowings (31 March 2023: Nil).

Banking facilities were secured by bank deposits of approximately HK\$24.5 million as at 30 September 2023 (31 March 2023: approximately HK\$24.0 million).

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

Liquidity ratios

As at 30 September 2023, the Group had cash and cash equivalents of approximately HK\$147.5 million (31 March 2023: approximately HK\$103.0 million), which were mainly denominated in HK\$, US\$ and RMB. The Group's current ratio, gearing ratio and net debt to equity ratio are as follows:

	30 September 2023 (Unaudited)	31 March 2023 (Audited)
Current ratio	2.6	2.6
Gearing ratio	N/A	N/A
Net debt to equity ratio	Net cash	Net cash

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

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

Net debt to equity ratio is 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 ratio, 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 materially changed since the information disclosed in our annual report for the year ended 31 March 2023.

Employee and remuneration policy

As at 30 September 2023, the Group employed a total of 4,244 employees (31 March 2023: 3,477 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 1H2023, staff costs (including Directors' emoluments) amounted to approximately HK\$82.5 million (1H2022: approximately HK\$82.0 million). The Company has adopted a share option scheme for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. The Group also provides and arranges on-the-job training for the employees.

Development and training

Continuous development of its staff is one of the crucial successes of the Group. The Group provides on-board trainings and orientation for new incoming staff. In addition, the Group encourages its employees to attend external training courses or seminars during office hours, which are applicable to the industry and 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 1H2023.

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 2023.

Capital commitments

As at 30 September 2023, the Group had no capital commitments (31 March 2023: Nil) in respect of acquisition of property, plant and equipment.

Contingent liabilities

As at 30 September 2023, the Group did not have any significant contingent liabilities (31 March 2023: Nil).

Events after 1H2023

No material events have occurred after 1H2023 and up to the date of this announcement.

Dividends

The Board has resolved to declare an interim dividend of HK2.0 cents per Share (1H2022: HK1.0 cent per Share) and a special dividend of HK1.0 cent per Share (1H2022: Nil) in respect of 1H2023, amounting to approximately HK\$12,259,000 (the “**Dividends**”) payable to the Shareholders whose names appear on the Register of Members on Friday, 5 January 2024. The Dividends will be distributed to such Shareholders on or about Friday, 19 January 2024.

Closure of Register of Members

The Register of Members will be closed from Wednesday, 3 January 2024 to Friday, 5 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Dividends, 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 no later than 4:30 p.m. on Tuesday, 2 January 2024.

CORPORATE GOVERNANCE

During 1H2023, the Company had adopted and complied with all applicable code provisions in all material respects as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “CG Code”) and did not deviate from any code provision.

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

During 1H2023, 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 for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (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 of each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code throughout 1H2023. The Model Code also applies to other specified senior management of the Group in respect of their dealings 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 compete, 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 1H2023.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors and 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 D.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 1H2023 (the “**Condensed Consolidated Financial Statements**”) and this announcement. 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 HKICPA.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and the investing 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 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 in 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, 27 November 2023

As at the date of this announcement, the Board comprises (i) 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 as the executive Directors; and (ii) Mr. Lam Kwok Cheong, Mr. Wong Wai Keung Frederick and Mr. Yeung Chi Wai as the independent non-executive Directors.