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Wine's Link International Holdings Limited

威揚酒業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8509)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2019**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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This announcement, for which the directors (the “Directors”) of Wine's Link International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of Directors (the “Board”) hereby presents the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2019 (the “Year”), together with the comparative figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	<i>Notes</i>	Year ended 31 March	
		2019	2018
		<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	3	335,127	323,127
Cost of sales		(265,298)	(265,274)
Gross profit		69,829	57,853
Other income		77	105
Other gains and losses, net		7,704	(3,873)
Net reversal of the allowance for credit loss on trade receivables		188	–
Selling and distribution expenses		(14,334)	(9,750)
Administrative expenses		(16,196)	(14,183)
Listing expenses		–	(10,503)
Finance costs	4	(6,118)	(3,407)
Profit before taxation	5	41,150	16,242
Income tax expense	6	(8,384)	(4,663)
Profit and total comprehensive income for the year attributable to owners of the Company		<u>32,766</u>	<u>11,579</u>
Earnings per share			
Basic (HK cents)	7	<u>8.19</u>	<u>3.79</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

		At 31 March	
		2019	2018
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property and equipment		7,419	6,001
Deferred tax assets		333	58
Deposits		1,593	3,187
		<u>9,345</u>	<u>9,246</u>
Current assets			
Inventories		204,462	137,665
Trade receivables	9	37,978	50,513
Other receivables, deposits and prepayments		49,420	29,692
Amount due from a shareholder		9	–
Amounts due from related companies		254	2,348
Pledged bank deposits		–	2,000
Bank balances and cash		45,760	65,897
		<u>337,883</u>	<u>288,115</u>
Current liabilities			
Trade payables	10	2,968	4,711
Other payables and accrued charges		4,004	6,144
Contract liabilities		6,170	–
Amount due to a related company		29,755	–
Tax payable		3,264	2,640
Bank borrowings		112,900	127,586
Obligations under finance leases		248	693
Provisions		500	–
		<u>159,809</u>	<u>141,774</u>
Net current assets		<u>178,074</u>	<u>146,341</u>
Total assets less current liabilities		<u><u>187,419</u></u>	<u><u>155,587</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2019

	At 31 March	
	2019	2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Obligations under finance leases	55	303
Provisions	140	500
	<u>195</u>	<u>803</u>
Net assets	<u>187,224</u>	<u>154,784</u>
Capital and reserves		
Share capital	4,000	4,000
Reserves	183,224	150,784
Equity attributable to owners of the Company	<u>187,224</u>	<u>154,784</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	–	–	27,458	35,449	62,907
Profit and total comprehensive income for the year	–	–	–	11,579	11,579
Issue of shares	1,200	88,800	–	–	90,000
Capitalisation issue	2,800	(2,800)	–	–	–
Transaction costs attributable to issue of shares	–	(9,702)	–	–	(9,702)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	4,000	76,298	27,458	47,028	154,784
Adjustment on application of HKFRS 9 <i>(Note 2)</i>	–	–	–	(326)	(326)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2018 (restated)	4,000	76,298	27,458	46,702	154,458
Profit and total comprehensive income for the year	–	–	–	32,766	32,766
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	<u>4,000</u>	<u>76,298</u>	<u>27,458</u>	<u>79,468</u>	<u>187,224</u>

Note: Other reserve represents the balance of HK\$7,458,000 in relation to the shareholder's contribution in relation to derivative financial instruments entered between Mr. Ting Chi Wai Roy ("Mr. Roy Ting"), one of the beneficiary owners of the Company, and the Group during the year ended 31 March 2016 and the effect of reorganisation of HK\$20,000,000 during the year ended 31 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. GENERAL

Wine's Link International Holdings Limited (the "Company") was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 22 September 2016 and the shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands, and the principal place of business is in 26th Floor, AIA Financial Centre, 712 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong.

The shareholders of the Company are Shirz Limited ("Shirz"), a limited company incorporated in the British Virgin Islands (the "BVI") which holds 42% equity interests in the Company and wholly owned by Ms. Wong Chi Lou Shirley ("Ms. Shirley Wong"), and Sunshine Consultancy Company Limited ("Sunshine Consultancy"), a limited company incorporated in the BVI which holds 28% equity interests in the Company and wholly owned by Mr. Roy Ting, spouse of Ms. Shirley Wong (Mr. Roy Ting together with Ms. Shirley Wong collectively known as the "Controlling Shareholders").

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in trading of premium wine and wine cellar.

The consolidated financial statements are presented in Hong Kong dollar ("HK\$") which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and interpretation issued by HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22 Amendments to HKFRS 2	Foreign Currency Transactions and Advance Consideration Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to Hong Kong Accounting Standard ("HKAS") 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and interpretation in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from sales of wine products which arise from contracts with customers.

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities				
Other payables and accrued charges	(a)	6,144	(2,854)	3,290
Contract liabilities	(a)	–	2,854	2,854

Note:

- (a) As at 1 April 2018, deposits received from customers of HK\$2,854,000 in respect of sales of wine products contracts previously included in other payables and accrued charges was reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

		As reported	Adjustment	Amounts without application of HKFRS 15
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities				
Other payables and accrued charges	(a)	4,004	6,170	10,174
Contract liabilities	(a)	6,170	(6,170)	–

(a) As at 31 March 2019, deposits received from customers of HK\$6,170,000 recorded as contract liabilities under HKFRS 15 would have been classified as “other payables and accrued charges” without application of HKFRS 15.

The application of HKFRS 15 has had no material impact on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 and accumulated profits as at 1 April 2018.

2.2 HKFRS 9 Financial Instruments and related amendments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses (“ECL”) for financial assets and financial guarantee contracts; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, debtors have been assessed individually with aggregated outstanding balances exceeding HK\$1,000,000 and the remaining debtors are grouped based on past due status of the trade receivables. As at 1 April 2018, the additional credit loss allowance of HK\$326,000 has been recognised against accumulated profits. The additional loss allowance is charged against the allowance account.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits, other receivables and deposits, amount due from a shareholder, amounts due from related companies and bank balances are measured on 12-month ECL (“12m ECL”) basis and there had been no significant increase in credit risk since initial recognition. In the opinion of the management of the Group, the ECL on these financial assets are insignificant on 1 April 2018.

For outstanding financial guarantees provided to a related company of HK\$13,794,000, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis. Based on the assessment of the management of the Group, the loss given default on the financial guarantee contracts is insignificant in view of the fair value of the collaterals pledged by the related company to the banking facilities. Thus, no loss allowance was recognised.

Allowance for credit loss on trade receivables as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 is as follows:

	<i>HK\$'000</i>
At 31 March 2018 – HKAS39	–
Amounts remeasured through opening accumulated profits	<u>326</u>
At 1 April 2018	<u><u>326</u></u>

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK (IFRIC) – Int 23	Uncertainty Over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

3. REVENUE AND SEGMENT INFORMATION

Revenue

For the year ended 31 March 2019

Disaggregation of revenue from contracts with customers was disclosed as follows:

	<i>HK\$'000</i>
Sales of wines products	
– Wine products	296,443
– Other alcoholic beverages	36,459
– Wine accessory products	2,225
	<hr/>
Total revenue	335,127
	<hr/> <hr/>
Geographical markets:	
Hong Kong	335,127
	<hr/> <hr/>
Timing of revenue recognition:	
A point in time	335,127
	<hr/> <hr/>

For sales of wines products, revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. Transportation and other related activities that incurred before customers obtain control of the related products are considered as fulfilment activities. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the Group's right to consideration becomes unconditional, as only the passage of time is required before payment is due. The contracts signed with the customers are fixed price contracts. The normal credit term is 30 to 120 days upon delivery.

All the Group's contracts with customers with unsatisfied performance obligations have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 is not disclosed.

For the year ended 31 March 2018

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount.

	<i>HK\$'000</i>
Revenue form major products	
– Wine products	301,197
– Other alcoholic beverages	21,881
– Wine accessory products	49
Total	323,127

Segmental Information

The Group's operations are solely derived from sale and distribution of wine products, other alcoholic beverages and wine accessory products in Hong Kong during the year. For the purposes of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered and the Group's property and equipment are all located in Hong Kong by physical location of assets.

Information about major customers

No individual customer was accounted for over 10% of the Group's total revenue during both years.

4. FINANCE COSTS

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
The finance costs represent interest on:		
– bank borrowings	6,094	3,358
– obligations under finance leases	24	49
	<u>6,118</u>	<u>3,407</u>

5. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,000	700
Cost of inventories recognised as an expense	265,298	265,274
Depreciation of property and equipment	3,323	3,485
Directors' remuneration	1,236	941
Other staff costs		
Salaries and other benefits	7,976	7,342
Retirement benefits scheme contributions	360	327
Total staff costs	9,572	8,610
Minimum lease payments under operating leases in respect of land and buildings	6,887	4,393

6. INCOME TAX EXPENSE

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
– Current tax	7,399	4,640
– Under(over)provision in prior years	1,260	(99)
Deferred tax (credit) charge	(275)	122
	<u>8,384</u>	<u>4,663</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualifying group entity.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	32,766	11,579

	Year ended 31 March	
	2019	2018
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,000	305,643

No diluted earnings per share for both years were presented as there were no potential ordinary shares in issue during both years.

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company or other group entities comprising the Group during both years, nor has any dividend been proposed since the end of each reporting period.

9. TRADE RECEIVABLES

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Gross carrying amount	38,116	50,513
Less: allowance for credit losses	(138)	—
	<u>37,978</u>	<u>50,513</u>

The Group's credit terms of 30 to 120 days is granted to its trade customers. The following is an ageing analysis of the trade receivables, net of allowance for credit losses, presented based on the invoice date which approximated the respective dates on which revenue was recognised at the end of the reporting period:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
0-30 days	23,447	21,583
31-60 days	5,152	6,851
61-90 days	5,878	19,045
91-180 days	3,198	2,619
181-365 days	303	415
	<u>37,978</u>	<u>50,513</u>

10. TRADE PAYABLES

The credit period on purchases of goods is up to 90 days. The following is an ageing analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade payables:		
0-30 days	96	4,243
Over 30 days	2,872	468
	<u>2,968</u>	<u>4,711</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The business of the Group primarily involves the wholesale and retail of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on Premium Collectible Red Wine. The Group has a comprehensive product portfolio consisting of (i) wine products such as Premium Collectible Red Wine, fine red wine and white wine; (ii) other alcoholic beverages such as champagne, whisky and sake; and (iii) wine accessory products such as wine decanters, wine glasses and wine openers, for customers' selection.

The wine industry in Hong Kong has seen an increasing trend, driven by the expansion of off-trade distribution channels such as grocery stores and convenience stores, allowing low to medium priced wine products to increasingly penetrate the market. The rising interest of general customers in wine, resulting from the proven health benefits and high affordability of wine products, is expected to benefit the wine industry and the Group. The Board believes that the Group can capture the opportunity arising from the increasing trend in the wine industry.

Financial Review

Revenue

Revenue of the Group increased by approximately 3.7% from approximately HK\$323.1 million for the year ended 31 March 2018 to approximately HK\$335.1 million for the Year. The increase was mainly attributable to the increase in sales of wine products, in particular Premium Collectible Red Wine.

Cost of sales

The Group's cost of sales consists of the procurement of wine products and other alcoholic beverages from the suppliers. The Group recognise cost of sales upon the conclusion of a sales transaction. The cost of sales remained steadily at approximately HK\$265.3 million for the years ended 31 March 2019 and 2018.

Gross profit and gross profit margin

The gross profit represents revenue less cost of sales. For the Year, the gross profit of the Group increased by approximately 20.7% from approximately HK\$57.9 million for the year ended 31 March 2018 to approximately HK\$69.8 million.

The overall gross profit margin increased and amounted to 17.9% and 20.8% for the years ended 31 March 2018 and 2019, respectively. The Group recorded a relatively higher gross profit margin during the year ended 31 March 2019 which was mainly due to the increase in the sales of certain highly sought-after Premium Collectible Red Wine which yielded a relatively higher gross profit margin.

Other income

Other income of the Group consisted primarily of (i) bank interest generated from the bank balances and (ii) sundry income. Other income remained relatively stable at HK\$77,000 and HK\$105,000 for the years ended 31 March 2019 and 2018, respectively.

Other Gains and Losses, Net

The Group recorded net gains of HK\$7.7 million and net losses of HK\$3.9 million for the years ended 31 March 2019 and 2018, respectively.

The Group recorded net exchange gains of HK\$7.7 million and net exchange losses of HK\$3.3 million for the years ended 31 March 2019 and 2018, respectively. It was primarily arising from the foreign currency fluctuations in respect of the foreign currency denominated trust receipt loans for the settlement of wine product purchased from the overseas suppliers.

Besides, the Group has recorded a net loss of HK\$5,000 and HK\$0.5 million on disposals of property and equipment for the years ended 31 March 2019 and 2018, respectively.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately HK\$9.8 million for the year ended 31 March 2018 to HK\$14.3 million for the Year. This increase was primarily attributable to (i) an increase in rent and rates in connection with our new retail store in Kowloon; and (ii) an increase in salaries and allowances of the sales team.

Administrative expenses

Administrative expenses of the Group increased from approximately HK\$14.2 million for the year ended 31 March 2018 to approximately HK\$16.2 million for the Year. This increase was primarily attributable to (i) an increase in legal and professional fees, including compliance advisor's fee, legal advisor's fee and human resources consultation advisor's fee, and; (ii) an increase in salaries and allowances in connection with the Directors and administrative staff.

Finance Costs

Finance costs increased by approximately 79.6% from approximately HK\$3.4 million for the year ended 31 March 2018 to approximately HK\$6.1 million for the Year. This increase was primarily attributable to the increase in the trust receipt loans raised during the Year.

Income tax expense

Income tax expense of the Group increased by approximately 79.8% from approximately HK\$4.7 million for the year ended 31 March 2018 to approximately HK\$8.4 million for the Year. The increase was mainly attributable to the increase of estimated assessable profit for the Year compared to the corresponding period in 2018.

Profit and Total Comprehensive Income for the Year attributable to owners of the Company

For the reasons mentioned above, profit and the total comprehensive income attributable to the owners of the Company for the Year amounted to approximately HK\$32.8 million (2018: HK\$11.6 million).

Dividend

The Board does not recommend the payment of a final dividend to the shareholders of the Company for the Year (2018: nil).

Liquidity and Financial Resources

During the Year, the Group's operation and capital requirements were financed principally through a combination of cash flow generated from the operating activities and bank borrowings. As at 31 March 2018 and 2019, the Group had net current assets of approximately HK\$146.3 million and approximately HK\$178.1 million, respectively, including bank balances and cash of approximately HK\$65.9 million and HK\$45.8 million respectively. The Group's current ratio (current assets divided by current liabilities) remained steadily at 2.0 and 2.1 as at 31 March 2018 and 2019, respectively.

Gearing ratio is calculated by dividing total borrowings (including amount due to a related company, bank borrowings and obligations under finance leases) by total equity as at the end of the year. The Group's gearing ratio were approximately 83.1% and approximately 76.4% as at 31 March 2018 and 2019, respectively.

Treasury Policies

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of the customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Commitments

The Group's capital commitments are primarily related to the purchase of property and equipment primarily consisting of the leasehold improvements in respect of the head office and computer equipment. The Group's operating lease commitments are related to future minimum lease payments in respect of the office premises, warehouse and retail store under non-cancellable operating lease arrangement.

The Group's capital commitments amounted to approximately HK\$0.6 million and approximately HK\$0.6 million as at 31 March 2018 and 2019, respectively.

The Group's operating lease commitments amounted to approximately HK\$12.5 million and approximately HK\$7.1 million as at 31 March 2018 and 2019, respectively.

Capital Structure

There has been no changes in the capital structure of the Group during the Year. The share capital of the Company only comprises of ordinary shares.

As at 31 March 2019, the Company had 400,000,000 Shares in issue.

Significant Investments

As at 31 March 2019, there was no significant investments held by the Group.

Material Acquisitions or Disposals of Subsidiaries, Associates or Joint Ventures

Up to 31 March 2019, the Group did not have any acquisition or disposals of subsidiaries, associates or joint ventures.

Future Plans for Material Investments and Capital Assets

Save as those disclosed in the prospectus of the Company dated 29 December 2017 (the "Prospectus"), the Group currently has no other plan for material investments and capital assets.

Contingent Liabilities

As at 31 March 2019 and 2018, the Company provided corporate guarantee to a bank (the “Guarantee”) in respect of entire banking facilities granted to Success Dragon International Industrial Limited (“Success Dragon”) in addition to the personal guarantees provided by Ms. Shirley Wong, Ms. Yeung Chi Hung, Mr. Roy Ting and the properties owned by Success Dragon. The banking facilities are only available to Success Dragon. As at 31 March 2019, the outstanding loan balance of Success Dragon was amounted to HK\$13,794,000 (2018: HK\$14,557,000). The banks are in the final stage of processing the administrative works in releasing the Guarantee.

Save as disclosed above, the Group did not have material contingent liabilities as at 31 March 2019 and 2018.

Foreign Exchange Exposure

The Group is subject to relatively larger exposure to foreign currency risk as the Group had foreign currency denominated trust receipt loans for the settlement of the wine product purchases from suppliers outside Hong Kong. The Group’s exposure to foreign currency risk may affect the results of operations and financial position.

The Group recognises the importance of managing the foreign currency exchange risk exposure. To this end, the Group has ceased holding any pledged bank deposits in foreign currencies since October 2016.

The finance and accounts team is in charge of implementing the internal control measures on foreign currency risk. This team monitors the exposure to foreign currency risk with reference to, among other things, (i) the monthly and annual cash flow forecasts; (ii) historical cash flows; (iii) actual receivables; (iv) sales orders; (v) payables; (vi) purchase orders; and (vii) the potential hedging plans.

In respect of the purchases denominated in foreign currencies, the Group manages the associated foreign currency exchange risk exposure by closely monitoring the movement of foreign currency exchange rates and performing regular reviews of the net foreign exchange exposure. The Group has established a tracking and reporting system which records the latest exchange rate fluctuation information to enable the Group to effectively monitor the exposure to exchange rate risks and adjust the procurement strategy accordingly. For example, if there is an appreciation in EUR, the Group may choose to procure French red wine products from suppliers in the United Kingdom or Switzerland instead of France to minimise the foreign currency risk exposure. The Group does not currently have a foreign currency hedging policy. In the event of any change in circumstances leading the Group to believe that the exposure to foreign currency risk has heightened, the Group will, upon approval by the Investment Management Committee, implement necessary measures and policies to manage such risk, for example by entering into foreign currency hedging transactions.

Pledge of Assets

As at 31 March 2018, the Group had pledged bank deposits amounted to approximately HK\$2.0 million.

Employees and Remuneration Policies

The total number of employees were 37 and 47 as at 31 March 2018 and 2019, respectively. The Group's standard remuneration package includes base salary, discretionary bonus, medical insurance and contributions to retirement schemes. For the years ended 31 March 2018 and 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$8.6 million and approximately HK\$9.6 million, respectively.

Remuneration package is determined in light of the employees' qualification, position and seniority. To ensure the remuneration package remains competitive, the Group conducts annual assessment on each employee's remuneration package.

Future Prospects

The Shares were successfully listed on GEM on the Listing Date. The Board considers that such public listing status on the Stock Exchange is beneficial to the Company and the Shareholders as a whole as the listing status on the Stock Exchange is a complementary way of advertising the Group which reinforces the corporate profile and market recognition. In addition, the creditworthiness will be enhanced from the suppliers' perspective, which may in turn allow the Group to have greater bargaining power over negotiations to bargain for longer trade and credit terms. It also enables the Group to gain direct access to the capital market to raise funds for future expansion.

The Group has leased new warehouses in Kwai Chung and Kowloon Bay, respectively, in order to increase the Group's storage capacity, while continue to identify a suitable property to be acquired as its self-owned warehouse. The Group also has opened its flagship store in Tsim Sha Tsui in December 2018 and is in the course of identifying suitable location to establish its third retail shop in West Kowloon to further expand its retail network. With the expansion of the retail network, the Group expects it will broaden the customers base, strengthen the market presence and further boost the market share in Hong Kong. The Group aims to continue strengthening its leading position in the wine industry in Hong Kong.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Competing Interests

During the Year and up to the date of this announcement, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group.

Non-competition Undertaking

The Company confirms that the deed of non-competition (the “Deed”) of each of Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy Company Limited (collectively, the “Controlling Shareholders”), details of which were set out in the Prospectus, has been fully complied and enforced during the Year. The Company has obtained an annual written confirmation from each of the Controlling Shareholders in relation to their compliance with the terms of the Deed and the independent non-executive Directors have reviewed the undertakings under the Deed and evaluated the effective implementation of the Deed during the Year. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors of the Group.

Director’s Securities Transactions

The Company has adopted a code of conduct regarding Director’s securities transactions on terms no less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made a specific enquiry by the Company, all Directors confirmed that they had complied with the required standard of dealings and code of conduct regarding securities transactions throughout the Year and up to the date of this announcement.

Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. As at the date of this announcement, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

Interests of Compliance Adviser

As notified by the Company's compliance adviser, Innovax Capital Limited (the "Compliance Adviser"), save for the compliance adviser agreement dated 7 August 2018 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates had any interest in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2019.

Audit Committee

The Company has set up an Audit Committee on 18 December 2017 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C3 of the CG Code. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Change of address of Hong Kong Branch Share Registrar and Transfer Office

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the “Branch Share Registrar”), will change its address from Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong to

Level 54, Hopewell Centre
183 Queen’s Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

By order of the Board
Wine’s Link International Holdings Limited
Yeung Chi Hung
Chairman and non-executive Director

Hong Kong, 14 June 2019

As at the date of this announcement, the executive Directors are Ms. Wong Chi Lou Shirley and Mr. Chan Sze Tung; the non-executive Directors are Ms. Yeung Chi Hung, S.B.S., B.B.S., J.P. and Ms. Ho Tsz Wan; and the independent non-executive Directors are Ms. Chan Man Ki Maggie, M.H., J.P., Mr. Chan Wai Yan Ronald and Mr. Wong Hin Wing.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.wines-link.com.