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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 purposes 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 unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2019 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	65,486	65,664	136,115	135,923
Cost of sales		(52,724)	(53,306)	(109,431)	(112,815)
Gross profit		12,762	12,358	26,684	23,108
Other income		131	1	259	10
Other gains and losses, net		1,063	522	1,582	7,431
Selling and distribution expenses		(4,312)	(3,036)	(8,499)	(5,932)
Administrative expenses		(4,182)	(3,888)	(8,489)	(7,448)
Finance costs	5	(1,849)	(1,042)	(4,271)	(2,264)
Profit before taxation	6	3,613	4,915	7,266	14,905
Income tax expense	7	(693)	(951)	(1,297)	(2,514)
Profit and total comprehensive income for the period attributable to the owners of the Company		<u>2,920</u>	<u>3,964</u>	<u>5,969</u>	<u>12,391</u>
Earnings per share – Basic and diluted	8	<u>HK0.73 cent</u>	<u>HK0.99 cent</u>	<u>HK1.49 cents</u>	<u>HK3.10 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AS AT 30 SEPTEMBER 2019*

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Non-current assets		
Property and equipment	6,047	7,419
Right-of-use assets	13,630	–
Deferred tax assets	565	333
Deposits and prepayments	2,885	1,593
	23,127	9,345
Current assets		
Inventories	244,957	204,462
Trade receivables	59,371	37,978
Other receivables, deposits and prepayments	68,884	49,420
Amount due to a shareholder	9	9
Amounts due from related companies	3,924	254
Pledged bank deposits	36,400	–
Bank balances and cash	2,392	45,760
	415,937	337,883
Current liabilities		
Trade payables	7,774	2,968
Other payables and accrued charges	3,008	4,004
Contract liabilities	1,650	6,170
Lease liabilities	5,341	–
Amount due to a related company	29,738	29,755
Tax payable	4,298	3,264
Bank borrowings	184,551	112,900
Obligations under finance leases	121	248
Provisions	–	500
	236,481	159,809

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Net current assets	<u>179,456</u>	<u>178,074</u>
Total assets less current liabilities	<u>202,583</u>	<u>187,419</u>
Non-current liabilities		
Lease liabilities	8,750	–
Obligations under finance leases	–	55
Provisions	<u>640</u>	<u>140</u>
	<u>9,390</u>	<u>195</u>
Net assets	<u>193,193</u>	<u>187,224</u>
Capital and reserves		
Share capital	4,000	4,000
Reserves	<u>189,193</u>	<u>183,224</u>
Equity attributable to the owners of the Company	<u>193,193</u>	<u>187,224</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 2019 (audited)	4,000	76,298	27,458	79,468	187,224
Profit and total comprehensive income for the Period (unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,969</u>	<u>5,969</u>
At 30 September 2019 (unaudited)	<u>4,000</u>	<u>76,298</u>	<u>27,458</u>	<u>85,437</u>	<u>193,193</u>
At 1 April 2018 (restated) (audited)	4,000	76,298	27,458	46,702	154,458
Profit and total comprehensive income for the Period (unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,391</u>	<u>12,391</u>
At 30 September 2018 (unaudited)	<u>4,000</u>	<u>76,298</u>	<u>27,458</u>	<u>59,093</u>	<u>166,849</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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL

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

The shareholders of the Company are Shirz Limited, 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. Wine's Link Limited ("Wine's Link"), being its major operating subsidiary, is primarily engaged in the wholesale and retail of a wide spectrum of wine products and other alcoholic beverages in Hong Kong.

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

2. BASIS OF PREPARATION

Pursuant to the group reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the prospectus of the Company dated 29 December 2017, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Starlight Worldwide Investment Limited ("Starlight Worldwide"), a limited company incorporated in the BVI, between the Controlling Shareholders and Wine's Link. The Group, comprising the Company and its subsidiaries, resulting from the Reorganisation is regarded as a continuing entity, accordingly, the condensed consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The unaudited condensed consolidated financial statements of the Group for the Period have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 – *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "GEM Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of warehouse that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.7%.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	<u>7,114</u>
Lease liabilities discounted at relevant incremental borrowing rates	6,670
Add: Lease liabilities resulting from lease modifications of existing leases [#]	12,456
Less: Recognition exemption — short-term leases	<u>(2,718)</u>
Lease liabilities as at 1 April 2019	<u>16,408</u>
Analysed as	
Current	5,032
Non-current	<u>11,376</u>
	<u>16,408</u>

[#] The Group renewed the lease of head office by entering into a new lease contract which commences after date of initial application, this new contract is accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019 was HK\$16.4 million.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount. 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 Period and the six months ended 30 September 2018. For the purposes of resources allocation and performance assessment, the chief executive of the Group reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Revenue from major products

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wine products	58,366	62,469	124,887	128,444
Other alcoholic beverages	6,980	2,896	10,608	7,174
Wine accessory products	140	299	620	305
	65,486	65,664	136,115	135,923

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 the Period and the six months ended 30 September 2018.

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The finance costs represent interest on:				
– bank borrowings	1,676	1,035	3,900	2,249
– obligations under finance leases	–	7	–	15
– lease liabilities	173	–	371	–
	1,849	1,042	4,271	2,264

6. PROFIT BEFORE TAXATION

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:				
Cost of inventories recognised as an expense	52,724	53,306	109,431	112,815
Depreciation of property and equipment	841	822	1,890	1,613
Depreciation of right-of-use assets	1,389	–	2,778	–
Directors' remuneration	318	309	636	618
Other staff costs				
Salaries and other benefits	2,841	1,891	5,497	3,617
Retirement benefits scheme contributions	130	86	254	166
Total staff costs	3,289	2,286	6,387	4,401
Lease payments under operating leases in respect of land and buildings				
Short-term lease	867	–	1,571	–
Minimum lease payment	–	1,693	–	3,385
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:				
– Current tax	791	1,042	1,529	2,658
Deferred tax credit	(98)	(91)	(232)	(144)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	693	951	1,297	2,514
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 21 March 2019, 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 2019 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%.

For the six months ended 30 September 2019 and 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime.

8. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Profit for the period attributable to the owners of the Company for the purposes of basic earnings per share	<u>2,920</u>	<u>3,964</u>	<u>5,969</u>	<u>12,391</u>

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue during both the Period and the six months ended 30 September 2018.

9. DIVIDEND

No dividend was paid, declared or proposed for shareholders of the Company during the Period. The Board does not recommend any payment of an interim dividend to the shareholders of the Company for the Period.

10. TRADE RECEIVABLES

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

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
0-30 days	38,321	23,447
31-60 days	13,993	5,152
61-90 days	3,936	5,878
91-180 days	1,672	3,198
181-365 days	1,449	303
	<u>59,371</u>	<u>37,978</u>

11. 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 30 September 2019 <i>HK\$'000</i> (Unaudited)	As at 31 March 2019 <i>HK\$'000</i> (Audited)
Trade payables:		
0-30 days	4,283	96
Over 30 days	3,491	2,872
	<u>7,774</u>	<u>2,968</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, i.e. red wine with selling prices at or above HK\$1,000 per bottle (the “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 remained relatively stable at approximately HK\$136.1 million and approximately HK\$135.9 million for the Period and the six months ended 30 September 2018, respectively.

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 recognises cost of sales upon the conclusion of a sales transaction. The cost of sales decreased by approximately 3.0% from approximately HK\$112.8 million for the six months ended 30 September 2018 to approximately HK\$109.4 million for the Period.

Gross profit and gross profit margin

The gross profit represents revenue less cost of sales. For the Period, the gross profit of the Group increased by approximately 15.5% from approximately HK\$23.1 million for the six months ended 30 September 2018 to approximately HK\$26.7 million.

The overall gross profit margin increased and amounted to 17.0% and 19.6% for the six months ended 30 September 2018 and 2019, respectively. The Group recorded a relatively higher gross profit margin during the Period 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 increased from HK\$10,000 for the six months ended 30 September 2018 to HK\$260,000 for the Period, which was mainly contributed by the increase in bank interest generated from the bank balances during the Period.

Other Gains and Losses, Net

The Group recorded net exchange gains of approximately HK\$7.4 million and approximately HK\$1.6 million for the six months ended 30 September 2018 and 2019, respectively.

These foreign exchange gains and losses were primarily arising from the foreign currency fluctuations in respect of the foreign currency demonstrated trust receipt loans for the settlement of wine products purchased from the overseas suppliers.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately HK\$5.9 million for the six months ended 30 September 2018 to HK\$8.5 million for the Period. This increase was primarily attributable to (i) an increase in rent and rates in connection with the new retail store in Kowloon; (ii) an increase in depreciation mainly in respect of leasehold improvements in the new retail store in Kowloon; and (iii) an increase in salaries and allowances of the sales team.

Administrative expenses

Administrative expenses of the Group increased from approximately HK\$7.4 million for the six months ended 30 September 2018 to HK\$8.5 million for the Period. This increase was primarily attributable to an increase in salaries and allowances in connection with the Directors and administrative staff.

Finance Costs

Finance costs increased from approximately HK\$2.3 million for the six months ended 30 September 2018 to approximately HK\$4.3 million for the Period. This increase was primarily attributable to the increase in the trust receipt loans for the Period.

Income tax expense

Income tax expense of the Group decreased by approximately 48.4% from approximately HK\$2.5 million for the six months ended 30 September 2018 to approximately HK\$1.3 million for the Period. The decrease was mainly attributable to the decrease of estimated assessable profit for the Period compared to the corresponding period in 2018.

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

Profit and the total comprehensive income for the Period decreased by approximately 51.8% from approximately HK\$12.4 million for the six months ended 30 September 2018 to approximately HK\$6.0 million for the Period. The decrease was mainly due to the decrease in the foreign exchange gain arising from the foreign currency fluctuations in respect of the foreign currency denominated trust receipt loans for the settlement of wine products purchased from the overseas suppliers mainly as a result of depreciation of Euro and GBP for the six months ended 30 September 2018. Should the foreign exchange gain be excluded, the adjusted profit and total comprehensive income amounted to approximately HK\$5.0 million and approximately HK\$4.4 million, respectively for the six months ended 30 September 2018 and 2019.

Dividend

The Board does not recommend any payment of an interim dividend to the shareholders of the Company for the Period (2018: nil).

Liquidity and Financial Resources

During the Period, 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 2019 and 30 September 2019, the Group had net current assets of approximately HK\$178.1 million and HK\$179.5 million, respectively, including pledged bank deposits and bank balances and cash of approximately HK\$45.8 million and HK\$38.8 million, respectively. The Group's current ratio (current assets divided by current liabilities) remained relatively stable at 2.1 and 1.8 as at 31 March 2019 and 30 September 2019, respectively.

Gearing ratio is calculated by dividing total borrowings (including non-trade amounts due to related parties, bank borrowings and obligations under finance leases) by total equity as at the end of the Period. The Group's gearing ratio were approximately 76.4% and 111.0% as at 31 March 2019 and 30 September 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.

The Group has obtained bank facilities and borrowings with stable interest rates during the Period. The Group does not foresee any significant interest rate risks in near future.

The Group's transactions are mostly denominated in Hong Kong dollar except for some 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 management of the Company closely monitors its foreign exchange risk, for details, please refer to the section headed "Foreign Exchange Exposure" in this announcement.

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 warehouse under non-cancellable operating lease arrangement.

The Group's capital commitments amounted to approximately HK\$0.6 million and HK\$0.6 million as at 31 March 2019 and 30 September 2019, respectively.

The Group's operating lease commitments amounted to approximately HK\$7.1 million and HK\$0.5 million as at 31 March 2019 and 30 September 2019, respectively.

Share Capital Structure

The Shares were successfully listed on the GEM (the "Listing") on 12 January 2018 (the "Listing Date"). There has been no changes in the share capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at 30 September 2019, the Company had 400,000,000 Shares in issue.

Significant Investments

As at 30 September 2019, there was no significant investments held by the Group.

Material Acquisitions or Disposals of Subsidiaries, Associates or Joint Ventures

During the Period and up to the date of this announcement, 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, the Group currently has no other plan for material investments and capital assets.

Contingent Liabilities

As at 31 March 2019 and 30 September 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”) (which is owned by Ms. Shirley Wong and Ms. Yeung Chi Hung as to 50% and 50% respectively) 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 and 30 September 2019, the outstanding loan balance of Success Dragon was amounted to HK\$13,794,000 and HK\$13,409,000, respectively. 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 30 September 2019.

Foreign Exchange Exposure

The Group is subject to relatively large 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 have 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 Euro, 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 30 September 2019, the Group had pledged bank deposits amounted to HK\$36.4 million (31 March 2019: nil).

Important Events after the Period

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to the Period and up to the date of this announcement.

Employees and Remuneration Policies

The total number of employees were 47 and 52 as at 31 March 2019 and 30 September 2019, respectively. The Group's standard remuneration package includes base salary, discretionary bonus and medical insurance and contributions to retirement schemes. For the six months ended 30 September 2018 and 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$4.4 million and HK\$6.4 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 retail store in Tsim Sha Tsui in December 2018. Looking forward, we expect the global economy and retail environment would remain uncertain. The Group is facing challenges which may have negative effect on its retail business. The Group will take prudent approach and adjust its business strategies to face the challenges. In considering the establishment of the third retail shop, the Group will further take into account the retail environment, location, rental expenses and other factors.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Other Associated Corporations

As at 30 September 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares held⁽¹⁾	Percentage of shareholding in the Company's issued share capital⁽³⁾
Ms. Shirley Wong ⁽²⁾	Interest in controlled corporation/ Interest of spouse	280,000,000 (L)	70%

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) Ms. Shirley Wong is the sole shareholder of Shirz Limited and she is therefore deemed to be interested in 168,000,000 Shares held by Shirz Limited. Ms. Shirley Wong is the spouse of Mr. Roy Ting and is therefore deemed to be interested in the 112,000,000 shares that Mr. Roy Ting is interested in pursuant to the SFO.
- (3) The approximate percentage was calculated based on 400,000,000 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Other Associated Corporations

So far as the Directors are aware, as at 30 September 2019, the following persons (not being Directors or chief executive of the Company) (i) which had or be deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) were recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholders	Capacity/Nature of interests	Number of Shares held⁽¹⁾	Percentage of shareholding in the Company's issued share capital⁽³⁾
Shirz Limited	Beneficial owner	168,000,000 (L)	42%
Sunshine Consultancy	Beneficial owner	112,000,000 (L)	28%
Mr. Roy Ting ⁽²⁾	Interest in controlled corporation/ Interest of spouse	280,000,000 (L)	70%

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) Mr. Roy Ting is the sole shareholder of Sunshine Consultancy Company Limited ("Sunshine Consultancy") and he is therefore deemed to be interested in 112,000,000 Shares held by Sunshine Consultancy. Mr. Roy Ting is the spouse of Ms. Shirley Wong and is therefore deemed to be interested in the 168,000,000 shares that Ms. Shirley Wong is interested in pursuant to the SFO.
- (3) The approximate percentage were calculated based on 400,000,000 Shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept under Section 336 of the SFO.

Loan Agreement with Covenant Relating to Specific Performance of the Controlling Shareholders

On 10 June 2019, Wine's Link, a wholly-owned subsidiary of the Company, as borrower; Chong Hing Bank Limited ("Lender"), as lender; and the Company as guarantor, entered into a banking facility letter (the "Facility Letter"). This Facility Letter is comprising of a letter of credit facility and an overdraft facility, with a maximum facility of HK\$90,000,000 and HK\$3,000,000, respectively, which has been made available and will continue to be made available by the Lender to Wine's Link on the terms and conditions therein contained and subject to an annual review by the Lender.

Pursuant to the Facility Letter, a specific performance covenant is imposed on the Controlling Shareholders to be the single largest shareholder and jointly hold not less than 50% beneficial interest of the Company.

As at the date of this announcement, the aggregate beneficial interest of the Controlling Shareholders in the Company is 70%.

Please refer to the announcement of the Company dated 10 July 2019 for more details.

Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted by the Company on 18 December 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Period and up to the date of this announcement, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company.

Directors' Interests in Competing Business

During the Period and up to the date of this announcement, none of the Directors or their respective associates had any interest apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

Deed of Non-competition

A deed of non-competition dated 18 December 2017 (the "Deed of Non-competition") was entered into by Ms. Shirley Wong, Mr. Roy Ting, Shirz Limited and Sunshine Consultancy in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding certain non-competition undertakings. The Company confirms that, as at the date of this announcement, the Deed of Non-competition has been fully complied and enforced during the Period. Details of the Deed of Non-competition were disclosed in the section headed "Relationship with Controlling Shareholders – Non-competition undertaking" of the Prospectus.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code on Securities Dealings"). The Company, having made specific enquiry of all the Directors, confirmed that all the Directors have complied with the required standard of dealings as set out in the Code on Securities Dealings for the Period 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. During the Period and up to 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 2017 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 30 September 2019.

Audit Committee

The audit committee of the Company (the “Audit Committee”) was established 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 primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Group.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Wong Hin Wing, Ms. Chan Man Ki Maggie and Mr. Chan Wai Yan Ronald, of whom Mr. Wong Hin Wing has been appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Group for the Period and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 6 November 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 (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company (www.wines-link.com).