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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 2020**

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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 2020 (the “**Year**”), together with the comparative audited figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	Year ended 31 March	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	279,403	335,127
Cost of sales		<u>(224,122)</u>	<u>(265,298)</u>
Gross profit		55,281	69,829
Other income		597	77
Other gains and losses, net		2,851	7,704
Net (impairment of) reversal of the allowance for expected credit loss on trade receivables		(538)	188
Selling and distribution expenses		(17,676)	(14,334)
Administrative expenses		(17,222)	(16,196)
Finance costs	4	<u>(8,530)</u>	<u>(6,118)</u>
Profit before taxation	5	14,763	41,150
Income tax expense	6	<u>(2,833)</u>	<u>(8,384)</u>
Total comprehensive income for the year		<u>11,930</u>	<u>32,766</u>
Profit and total comprehensive income for the year attributable to			
– Owners of the Company		11,944	32,766
– Non-controlling interests		<u>(14)</u>	<u>–</u>
		<u>11,930</u>	<u>32,766</u>
Earnings per share			
Basic (HK cents)	7	<u>2.99</u>	<u>8.19</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		As at 31 March	
		2020	2019
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property and equipment		4,973	7,419
Right-of-use assets		9,848	–
Deferred tax assets		662	333
Deposits		2,676	1,593
		<u>18,159</u>	<u>9,345</u>
Current assets			
Inventories		218,047	204,462
Trade receivables	9	65,733	37,978
Other receivables, deposits and prepayments		133,008	49,420
Amount due from a shareholder		–	9
Amounts due from related companies		330	254
Bank balances and cash		2,360	45,760
		<u>419,478</u>	<u>337,883</u>
Current liabilities			
Trade payables	10	7,997	2,968
Other payables and accrued charges		4,597	4,004
Contract liabilities		1,535	6,170
Amount due to a related company		25,640	29,755
Tax payable		5,217	3,264
Bank borrowings		182,890	112,900
Lease liabilities		4,637	–
Obligations under finance leases		–	248
Provisions		–	500
		<u>232,513</u>	<u>159,809</u>
Net current assets		<u>186,965</u>	<u>178,074</u>
Total assets less current liabilities		<u>205,124</u>	<u>187,419</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2020

	As at 31 March	
	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Obligations under finance leases	–	55
Lease liabilities	5,330	–
Provisions	640	140
	<u>5,970</u>	<u>195</u>
Net assets	<u>199,154</u>	<u>187,224</u>
Capital and reserves		
Share capital	4,000	4,000
Reserves	195,168	183,224
	<u>199,168</u>	<u>187,224</u>
Equity attributable to owners of the Company	199,168	187,224
Non-controlling interests	(14)	–
	<u>199,154</u>	<u>187,224</u>
Total equity	<u>199,154</u>	<u>187,224</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018	4,000	76,298	27,458	46,702	154,458	–	154,458
Profit and total comprehensive income for the year	–	–	–	32,766	32,766	–	32,766
At 31 March 2019	4,000	76,298	27,458	79,468	187,224	–	187,224
Profit and total comprehensive income for the year	–	–	–	11,944	11,944	(14)	11,930
At 31 March 2020	4,000	76,298	27,458	91,412	199,168	(14)	199,154

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 2020

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, Ugland 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 issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 Leases

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

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.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at the amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated 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 options.

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 incremental borrowing rate applied is 4.7%.

	At 1 April 2019
	<i>Note</i> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	7,114
Lease liabilities discounted at relevant incremental borrowing rates	6,827
Less: Recognition exemption – short-term leases	(2,718)
Add: Obligations under finance leases recognised at 31 March 2019	(a) 303
Lease liabilities as at 1 April 2019	4,412
Analysed as	
Current	2,211
Non-current	2,201
	4,412

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	Right-of-use
	assets
	<i>Note</i> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,109
Amounts included in property and equipment under HKAS 17	
– Assets previously under finance leases	(a) 926
Adjustments on rental deposits at 1 April 2019	(b) 49
Right-of-use assets as at 1 April 2019	5,084
By class:	
Properties	4,158
Motor vehicles	926

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$926,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$248,000 and HK\$55,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$49,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 April 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Property and equipment	<i>(a)</i>	7,419	(926)	6,493
Deposits	<i>(b)</i>	1,593	(49)	1,544
Right-of-use assets		–	5,084	5,084
Current liabilities				
Obligations under finance leases	<i>(a)</i>	248	(248)	–
Lease liabilities		–	2,211	2,211
Non-current liabilities				
Obligations under finance leases	<i>(a)</i>	55	(55)	–
Lease liabilities		–	2,201	2,201

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁵

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

² 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.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 April 2020.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue

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

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Sales of wines products		
– Wine products	262,551	296,443
– Other alcoholic beverages	16,152	36,459
– Wine accessory products	700	2,225
	<u>279,403</u>	<u>335,127</u>
Total revenue	<u>279,403</u>	<u>335,127</u>
Geographical markets:		
Hong Kong	<u>279,403</u>	<u>335,127</u>
Timing of revenue recognition:		
A point in time	<u>279,403</u>	<u>335,127</u>

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 2020 and 2019 is not disclosed.

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 prepared based on same accounting policies set out in annual report. 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	
	2020	2019
	HK\$'000	HK\$'000
The finance costs represent interest on:		
– bank borrowings	8,083	6,094
– lease liabilities	447	–
– obligations under finance leases	–	24
	<u>8,530</u>	<u>6,118</u>

5. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,100	1,000
Cost of inventories recognised as an expense	224,122	265,298
Depreciation of property and equipment	2,863	3,323
Depreciation of right-of-use assets	4,314	–
Directors' remuneration	1,272	1,236
Other staff costs		
Salaries and other benefits	11,308	7,976
Retirement benefits scheme contributions	513	360
Total staff costs	<u>13,093</u>	<u>9,572</u>

6. INCOME TAX EXPENSE

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
– Current tax	3,203	7,399
– (Over)underprovision in prior years	(41)	1,260
Deferred tax credit	<u>(329)</u>	<u>(275)</u>
	<u>2,833</u>	<u>8,384</u>

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. The profits of the group entities not qualifying for the two-tiered profits tax regime will be taxed at a flat rate of 16.5%.

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	
	2020	2019
	HK\$'000	HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>11,944</u>	<u>32,766</u>

	Year ended 31 March	
	2020	2019
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<u>400,000</u>	<u>400,000</u>

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	
	2020	2019
	HK\$'000	HK\$'000
Gross carrying amount	66,409	38,116
Less: allowance for credit losses	(676)	(138)
	<u>65,733</u>	<u>37,978</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	
	2020	2019
	HK\$'000	HK\$'000
0-30 days	14,792	23,447
31-60 days	11,335	5,152
61-90 days	15,215	5,878
91-180 days	23,294	3,198
181-365 days	1,097	303
	<u>65,733</u>	<u>37,978</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 the reporting period:

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0-30 days	4,937	96
Over 30 days	<u>3,060</u>	<u>2,872</u>
	<u>7,997</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 decreased by approximately 16.6% from approximately HK\$335.1 million for the year ended 31 March 2019 to approximately HK\$279.4 million for the Year. The decrease was primarily caused by the outbreak of the novel coronavirus (COVID-19) pandemic.

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 decreased by approximately 15.5% from approximately HK\$265.3 million for the year ended 31 March 2019 to approximately HK\$224.1 million for the Year. The decrease in cost of sales was directly correlated with the decrease in revenue for the Year.

Gross profit and gross profit margin

The gross profit represents revenue less cost of sales. For the Year, the gross profit of the Group decreased by approximately 20.8% from approximately HK\$69.8 million for the year ended 31 March 2019 to approximately HK\$55.3 million.

The overall gross profit margin remained relatively stable at approximately 20.8% and 19.8% for the years ended 31 March 2019 and 2020, respectively.

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\$77,000 for the year ended 31 March 2019 to HK\$597,000 for the Year, which was mainly contributed by the increase in bank interest generated from the bank balances during the Year.

Other Gains and Losses, Net

The Group recorded net gains of approximately HK\$2.9 million and net gains of approximately HK\$7.7 million for the years ended 31 March 2020 and 2019, respectively.

The Group recorded net exchange gains of approximately HK\$2.9 million and net exchange gains of approximately HK\$7.7 million for the years ended 31 March 2020 and 2019, 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 approximately HK\$5,000 on disposals of property and equipment for the year ended 31 March 2019.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately HK\$14.3 million for the year ended 31 March 2019 to HK\$17.7 million for the Year. This increase was primarily attributable to (i) an increase in rent and rates in connection with 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\$16.2 million for the year ended 31 March 2019 to approximately HK\$17.2 million for the Year. 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 by approximately 39.4% from approximately HK\$6.1 million for the year ended 31 March 2019 to approximately HK\$8.5 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 decreased by approximately 66.2% from approximately HK\$8.4 million for the year ended 31 March 2019 to approximately HK\$2.8 million for the Year. The decrease was mainly attributable to the decrease of estimated assessable profit for the Year compared against the year ended 31 March 2019.

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\$11.9 million (2019: approximately HK\$32.8 million).

Dividend

The Board does not recommend the payment of a final dividend to the shareholders of the Company for the Year (2019: 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 2019 and 2020, the Group had net current assets of approximately HK\$178.1 million and approximately HK\$187.0 million, respectively, including bank balances and cash of approximately HK\$45.8 million and approximately HK\$2.4 million respectively. The Group's current ratio (current assets divided by current liabilities) remained steadily at 2.1 and 1.8 as at 31 March 2019 and 2020, respectively.

Gearing ratio is calculated by dividing total borrowings (including amount due to a related company, bank borrowings and lease liabilities (2019: 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 76.4% and approximately 109.7% as at 31 March 2019 and 2020, 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.

Charges of assets

As at 31 March 2019, the Group's obligations under finance leases with carrying amount of approximately HK\$303,000 were secured by certain motor vehicles with net book value of HK\$327,000.

Commitments

The Group's capital commitments are primarily related to the purchase of computer equipment and amounted to approximately HK\$0.6 million and approximately HK\$0.1 million as at 31 March 2019 and 2020, 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 2020, the Company had 400,000,000 shares in issue.

Significant Investments

As at 31 March 2020, there was no significant investments held by the Group.

Material Acquisitions or Disposals of Subsidiaries, Associates or Joint Ventures

As at 31 March 2020 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 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 2020 and 2019, 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. Wong Chi Lou Shirley (“**Ms. Shirley Wong**”), Ms. Yeung Chi Hung, Mr. Ting Chi Wai Roy (“**Mr. Roy Ting**”) and the properties owned by Success Dragon. The banking facilities are only available to Success Dragon. As at 31 March 2020, the outstanding loan balance of Success Dragon amounted to HK\$13,015,000 (2019: HK\$13,794,000). The Guarantee has been released in May 2020.

Save as disclosed above, the Group did not have material contingent liabilities as at 31 March 2020 and 2019.

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 of 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 of the Group 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 Company’s investment management committee, implement necessary measures and policies to manage such risk, for example by entering into foreign currency hedging transactions.

Employees and Remuneration Policies

The total number of employees were 47 and 45 as at 31 March 2019 and 2020, 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 2019 and 2020, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$9.6 million and approximately HK\$13.1 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 12 January 2018. 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 warehouse in Kwai Chung 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. In considering the establishment of the third retail shop, the Group will further take into account the retail environment, location, retail expenses and other factors.

Since the outbreak of the novel coronavirus (COVID-19) pandemic (the "**COVID-19 Outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across Hong Kong and other countries in the world. The Board expects that the global economy and retail environment remain uncertain and full of challenges. The Group has been closely monitoring the development of the COVID-19 Outbreak and will take prudent approach and adjust its business strategies to face the challenges when appropriate. The Group will also continue to evaluate the impact of the COVID-19 Outbreak on its financial position and operating results from time to time.

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIAL PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 23 January 2020, Wine's Link Limited ("**Wine's Link**"), a wholly-owned subsidiary of the Company, as borrower; Chong Hing Bank Limited ("**Lender A**"), as lender; and the Company as guarantor, entered into a banking facility letter (the "**Facility Letter A**"). This Facility Letter A is comprising of a letter of credit facility and an overdraft facility, with a maximum facility of HK\$110,000,000 and HK\$3,000,000, respectively, which has been made available and will continue to be made available by the Lender A to Wine's Link on the terms and conditions therein contained and subject to an annual review by the Lender A.

Pursuant to the Facility Letter A, a specific performance covenant is imposed on the Controlling Shareholders (as defined hereunder) 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 4 February 2020 for more details.

On 7 May 2020, Wine's Link, a wholly-owned subsidiary of the Company, as borrower; Hang Seng Bank Limited ("**Lender B**"), as lender; and the Company as guarantor, entered into a banking facility letter (the "**Facility Letter B**"). This Facility Letter B is comprising of a credit facility and a corporate credit card, with a maximum facility of HK\$30,000,000 and HK\$100,000, respectively, which are agreed to be made available by the Lender B to Wine's Link on the terms and conditions contained therein and subject to, among others, an annual review by the Lender B at any time and the Lender B's overriding right of repayment on demand, including the right to call for cash cover on demand for prospective and contingent liabilities.

Pursuant to the Facility Letter B, the Company shall procure the Controlling Shareholders continue 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 8 May 2020 for more details.

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 exacting 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 2020.

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.

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

Hong Kong, 24 June 2020

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.