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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)

(於開曼群島註冊成立之有限公司)

Stock Code | 股份代號：8509



2020

Interim Report

中期業績報告



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This report, 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 report 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 report misleading.



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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 2020 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	53,856	65,486	114,176	136,115
Cost of sales		(42,370)	(52,724)	(91,573)	(109,431)
Gross profit		11,486	12,762	22,603	26,684
Other income		1,185	131	1,770	259
Other gains and losses, net		(1,524)	1,063	(1,448)	1,582
Selling and distribution expenses		(3,871)	(4,312)	(7,486)	(8,499)
Administrative expenses		(3,638)	(4,182)	(7,071)	(8,489)
Finance costs	5	(1,147)	(1,849)	(2,900)	(4,271)
Profit before taxation	6	2,491	3,613	5,468	7,266
Income tax expense	7	(571)	(693)	(992)	(1,297)
Total comprehensive income for the period		1,920	2,920	4,476	5,969
Profit and total comprehensive income for the period attributable to					
– Owners of the Company		1,966	2,920	4,522	5,969
– Non-controlling interests		(46)	–	(46)	–
		1,920	2,920	4,476	5,969
Earnings per share					
– Basic and diluted	8	HK0.49 cent	HK0.73 cent	HK1.13 cents	HK1.49 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current assets		
Property and equipment	4,310	4,973
Right-of-use assets	7,329	9,848
Deferred tax assets	711	662
Deposits and prepayments	2,714	2,676
	15,064	18,159
Current assets		
Inventories	204,189	218,047
Trade receivables	49,781	65,733
Other receivables, deposits and prepayments	145,321	133,008
Amounts due from a shareholder	9	–
Amounts due from related companies	431	330
Bank balances and cash	23,998	2,360
	423,729	419,478
Current liabilities		
Trade payables	10,989	7,997
Other payables and accrued charges	3,227	4,597
Contract liabilities	5,496	1,535
Amount due to a related company	25,640	25,640
Tax payable	3,689	5,217
Bank borrowings	177,662	182,890
Lease liabilities	4,179	4,637
Provisions	140	–
	231,022	232,513
Net current assets	192,707	186,965
Total assets less current liabilities	207,771	205,124



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2020

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	3,641	5,330
Provisions	500	640
	4,141	5,970
Net assets	203,630	199,154
Capital and reserves		
Share capital	4,000	4,000
Reserves	199,690	195,168
Equity attributable to the owners of the Company	203,690	199,168
Non-controlling interests	(60)	(14)
Total equity	203,630	199,154

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Share premium	Other reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000 <i>(Note)</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2020 (audited)	4,000	76,298	27,458	91,412	199,168	(14)	199,154
Profit and total comprehensive income for the Period (unaudited)	-	-	-	4,522	4,522	(46)	4,476
At 30 September 2020 (unaudited)	4,000	76,298	27,458	95,934	203,690	(60)	203,630
At 1 April 2019 (audited)	4,000	76,298	27,458	79,468	187,224	-	187,224
Profit and total comprehensive income for the Period (unaudited)	-	-	-	5,969	5,969	-	5,968
At 30 September 2019 (unaudited)	4,000	76,298	27,458	85,437	193,193	-	193,193

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.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	5,468	7,266
Adjustments for:		
Depreciation of property and equipment	929	1,890
Depreciation of right-of-use assets	2,598	2,778
Finance costs	2,900	4,271
Interest income	–	(210)
Operating cash flows before movements in working capital	11,895	15,995
Decrease (increase) in inventories	13,858	(40,495)
Decrease (increase) in trade receivables	15,952	(21,393)
Increase in other receivables, deposits and prepayments	(12,352)	(20,749)
Increase in amount due from a shareholder	(9)	–
Increase in trade payables	2,992	4,806
Decrease in other payables and accrued charges	(1,370)	(5,516)
Increase in contract liabilities	3,961	–
Cash used in operations	34,927	(67,352)
Income tax paid	(2,569)	(495)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	32,358	(67,847)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2020

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
INVESTING ACTIVITIES		
Bank interest received	-	210
Purchase of property and equipment	(119)	(525)
Payments for right-of-use assets	-	(1,950)
Placement of pledged bank deposits	-	(36,400)
Advances to related companies	(101)	(3,670)
NET CASH USED IN INVESTING ACTIVITIES	(220)	(42,335)
FINANCING ACTIVITIES		
Interest paid on bank borrowings	(2,698)	(4,271)
Interest paid on lease liabilities	(202)	-
Repayments of finance leases	-	(182)
New bank borrowings raised	80,705	222,655
Repayment of bank borrowings	(81,055)	(151,004)
Repayments of lease liabilities	(2,373)	(367)
Repayments to related companies	-	(17)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(5,623)	66,814
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,515	(43,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(2,517)	45,760
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	23,998	2,392



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) of the Cayman Islands on 22 September 2016 and the shares of the Company (the “Shares”) 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, Ugland 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, Shirz Limited and Sunshine Consultancy, 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. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 September 2020 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.



3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 September 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 September 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$240,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 September 2020.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated financial statements for the Period.

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. 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 in accordance with accounting policies which conform to HKFRSs. 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 30 September		Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Wine products	50,055	58,366	105,262	124,887
Other alcoholic beverages	3,661	6,980	8,757	10,608
Wine accessory products	140	140	157	620
	53,856	65,486	114,176	136,115

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 2019.



5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
The finance costs represent interest on:				
– bank borrowings	1,062	1,676	2,698	3,900
– lease liabilities	85	173	202	371
	1,147	1,849	2,900	4,271

6. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Profit before taxation has been arrived at after charging:				
Cost of inventories recognised as an expense	42,370	52,724	91,573	109,431
Depreciation of property and equipment	441	841	929	1,890
Depreciation of right-of-use assets	1,303	1,389	2,598	2,778
Directors' remuneration	318	318	636	636
Other staff costs				
Salaries and other benefits	2,862	2,841	5,581	5,497
Retirement benefits scheme contributions	123	130	241	254
Total staff costs	3,303	3,289	6,458	6,387

7. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong Profits Tax:				
– Current tax	605	791	1,040	1,529
Deferred tax credit	(34)	(98)	(48)	(232)
	571	693	992	1,297

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 of a flat rate of 16.5%.

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 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings:				
Profit for the period attributable to the owners of the Company for the purposes of basic earnings per share	1,966	2,920	4,522	5,969

	Three months ended 30 September		Six months ended 30 September	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Number of shares:				
Number of ordinary shares for the purpose of basic earnings per share	400,000	400,000	400,000	400,000

No diluted earnings per share for the Period and the six months ended 30 September 2019 was presented as the Group had no potentially dilutive ordinary shares in issue during these periods.



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 (six months ended 30 September 2019: nil).

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 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
0-30 days	11,949	14,792
31-60 days	7,814	11,335
61-90 days	7,795	15,215
91-180 days	21,027	23,294
181-365 days	1,196	1,097
	49,781	65,733

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 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade payables:		
0-30 days	2,608	4,937
Over 30 days	8,381	3,060
	10,989	7,997



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 16.1% from approximately HK\$136.1 million for the six months ended 30 September 2019 to approximately HK\$114.2 million for the Period. The decrease was primarily caused by the outbreak of the novel coronavirus (COVID-19) pandemic (the “COVID-19 Outbreak”).

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 16.3% from approximately HK\$109.4 million for the six months ended 30 September 2019 to approximately HK\$91.6 million for the Period. The decrease in cost of sales was directly correlated with the decrease in revenue 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 decreased by approximately 15.3% from approximately HK\$26.7 million for the six months ended 30 September 2019 to approximately HK\$22.6 million.

The overall gross profit margin remained relatively stable at approximately 19.6% and 19.8% for the six months ended 30 September 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\$259,000 for the six months ended 30 September 2019 to HK\$1.8 million for the Period, which was mainly contributed by the anti-epidemic subsidies granted by the Hong Kong Government with the aim to, among others, alleviate financial burden of businesses amid the COVID-19 Outbreak, during the Period.

Other Gains and Losses, Net

The Group recorded net exchange gains of approximately HK\$1.6 million and net exchange losses of approximately HK\$1.5 million for the six months ended 30 September 2019 and 2020, 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 decreased from approximately HK\$8.5 million for the six months ended 30 September 2019 to approximately HK\$7.5 million for the Period. This decrease was primarily attributable to a decrease in rent and rates in connection with the rental concession granted by the landlords of the retail stores in light of the COVID-19 Outbreak.

Administrative expenses

Administrative expenses of the Group decreased from approximately HK\$8.5 million for the six months ended 30 September 2019 to approximately HK\$7.1 million for the Period. This decrease was primarily attributable to (i) a decrease in legal and professional fees; and (ii) a decrease in depreciation of the leasehold improvement of our head office.

Finance Costs

Finance costs decreased from approximately HK\$4.3 million for the six months ended 30 September 2019 to approximately HK\$2.9 million for the Period. This decrease was primarily attributable to the decrease in the trust receipt loans made for the Period.

Income tax expense

Income tax expense of the Group decreased by approximately 23.5% from approximately HK\$1.3 million for the six months ended 30 September 2019 to approximately HK\$1.0 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 2019.

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

For the reasons mentioned above, profit and the total comprehensive income attributable to the owners of the Company for the Period amounted to approximately HK\$4.5 million (2019: approximately HK\$6.0 million).



Dividend

The Board does not recommend any payment of an interim dividend to the shareholders of the Company for the Period (2019: 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 2020 and 30 September 2020, the Group had net current assets of approximately HK\$187.0 million and HK\$192.7 million, respectively, including bank balances and cash of approximately HK\$2.4 million and HK\$24.0 million, respectively. The Group's current ratio (current assets divided by current liabilities) remained stable at 1.8 and 1.8 as at 31 March 2020 and 30 September 2020, respectively.

Gearing ratio is calculated by dividing total borrowings (including amounts due to a related party, bank borrowings and leases liabilities) by total equity as at the end of the Period. The Group's gearing ratio were approximately 109.7% and 103.7% as at 31 March 2020 and 30 September 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.

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 report.

Commitments

The Group's capital commitments are primarily related to the purchase of computer equipment and amounted to approximately HK\$0.1 million and HK\$0.1 million as at 31 March 2020 and 30 September 2020, respectively.

Share Capital Structure

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

As at 30 September 2020, the Company had 400,000,000 Shares in issue.



Significant Investments

As at 30 September 2020, 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 report, 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 2020, the Company provided corporate guarantee to a bank (the “Guarantee”) in respect of entire banking facilities granted to Success Dragon International Industrial Limited (“Success Dragon”) in addition to the personal guarantees provided by Ms. Shirley Wong, Ms. Yeung Chi Hung, Mr. Roy Ting and the properties owned by Success Dragon. The banking facilities are only available to Success Dragon. As at 31 March 2020, the outstanding loan balance of Success Dragon was amounted to HK\$13,015,000. 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 30 September 2020.

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.

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 interim report.

Employees and Remuneration Policies

The total number of employees were 45 and 49 as at 31 March 2020 and 30 September 2020, 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 2019 and 2020, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$6.4 million and HK\$6.5 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 "Listing Date"). The Board considers that such public listing status on the Stock Exchange is beneficial to the Company and the shareholders of the Company 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 a new warehouse in Kwai Chung, in order to increase the Group's storage capacity, while continuing 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. Since 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. 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.



Comparison of Business Strategies with Actual Business Progress and Use of Proceeds

Planned use of net proceeds ^(Note 1)	Amount of planned use of net proceeds <i>HK\$ million</i>	As at 30 September 2020		Expected timeline for the intended use ^(Note 4)
		Utilised amount of net proceeds (accumulated) <i>HK\$ million</i>	Unutilised amount of net proceeds <i>HK\$ million</i>	
		Strengthen the warehouse storage capability ^(Note 2)	38.9	
Expand the retail network in Hong Kong through the establishment of a new retail store and a new flagship store ^(Note 3)	23.3	21.2	2.1	By 31 March 2021
General working capital	2.0	2.0	Nil	N/A
	64.2	23.2	41.0	

Notes:

1. The Board currently has no intention to change the planned use of net proceeds as disclosed in the Prospectus, the 2019 annual report, the 2020 annual report and this interim report.
2. The Group had identified a property to be acquired to serve as its warehouse. However, due to the rising price of such targeted property, the Board considered that the contemplated acquisition price was considerably overpriced and it would not be cost effective nor in the best interests of the Company and its shareholders as a whole to acquire the targeted property at that time. Accordingly, the Group has been in the course of identifying a suitable property with reasonable price as its self-owned warehouse. Due to the COVID-19 Outbreak, the Group has observed a moderate trend of decrease in property price in Hong Kong from the peak in 2019. The Group is therefore recently in the process of negotiation of acquiring a property located in Kwun Tong with the potential vendor. The Company will make further announcement(s) in this regard as and when appropriate.
3. The Company has opened a retail store in Tsim Sha Tsui in the end of 2018. Due to the COVID-19 Outbreak across the globe since the early 2020, the prospect and business environment of the retailing industry in Hong Kong as well as global economy remain full of uncertainties and challenges. In light of the COVID-19 Outbreak, while the Group has been continuing to identify a suitable location to open its third retail store, the Group will carefully evaluate the impact of the COVID-19 Outbreak on the economy in Hong Kong, and will take into account the rental expenses and possible impact on the financial position of the Group before expanding its retail network. The Group considers that it is financially prudent to prolong the timeline of opening the third retail store to 2021 due to the current uncertain and challenging business environment in Hong Kong.
4. The expected timeline for using the unutilised net proceeds is based on the best estimation of the present and future business market situations made by the Board. It will be subject to changes based on the current and future development of market conditions.
5. Figures as shown in this table have been subject to rounding adjustments and are approximate only.

Principal Risks and Uncertainties

Due to the price fluctuation of property in Hong Kong, the Group is exposed to the risks of purchasing overpriced warehouse, which may adversely affect the financial condition of the Company. In addition, such price fluctuation may also affect the rental expenses to be paid for the leasing of the new flagship store going forward. Accordingly, the actual purchase price of the warehouse as well as the actual rental expenses of the flagship store may deviate from the estimated amounts as set out in the Prospectus. We shall make further disclosure on such deviation (if any) at the relevant time in accordance with the GEM Listing Rules.

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 2020, 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 2020.



Save as disclosed above, as at 30 September 2020, 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 2020, 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 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 2020.

Save as disclosed above, as at 30 September 2020, 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 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 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 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 report, 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 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 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 report, 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.

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 and there are no outstanding share option at the end of the Period.



Purchase, Sale or Redemption of Listed Securities of the Company

During the Period and up to the date of this report, 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 interim report, 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 report, 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 interim report.

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 interim report, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

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, 10 November 2020

As at the date of this report, 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 report 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 report will also be published on the website of the Company (www.wines-link.com).

WINE'S LINK INTERNATIONAL HOLDINGS LIMITED
威揚酒業國際控股有限公司

26/Floor, AIA Financial Centre, 712 Prince Edward Road East,
San Po Kong, Kowloon, Hong Kong

香港九龍新蒲崗太子道東712號友邦九龍金融中心26樓

T (852) 2317 1100 **F** (852) 2317 1032

E general@wines-link.com **W** wines-link.com