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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 2021**

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 2021 (the “**Year**”), together with the comparative audited figures for the year ended 31 March 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	Year ended 31 March	
		2021 HK\$'000	2020 HK\$'000
Revenue	3	299,623	279,403
Cost of sales		<u>(227,556)</u>	<u>(224,122)</u>
Gross profit		72,067	55,281
Other income		3,094	597
Other gains and losses, net		(469)	2,851
Reversal of impairment (loss) under expected credit loss model on trade receivables		363	(538)
Selling and distribution expenses		(15,072)	(17,676)
Administrative expenses		(20,213)	(17,222)
Finance costs	4	<u>(5,704)</u>	<u>(8,530)</u>
Profit before taxation	5	34,066	14,763
Income tax expense	6	<u>(6,849)</u>	<u>(2,833)</u>
Profit and total comprehensive income for the year		<u><u>27,217</u></u>	<u><u>11,930</u></u>
Profit and total comprehensive income (expense) for the year attributable to			
– Owners of the Company		27,605	11,944
– Non-controlling interests		<u>(388)</u>	<u>(14)</u>
		<u><u>27,217</u></u>	<u><u>11,930</u></u>
Earnings per share			
Basic (HK cents)	7	<u><u>6.90</u></u>	<u><u>2.99</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

		As at 31 March	
		2021	2020
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property and equipment		3,751	4,973
Right-of-use assets		5,741	9,848
Deferred tax assets		774	662
Deposits		2,177	2,676
		<u>12,443</u>	<u>18,159</u>
Current assets			
Inventories		191,817	218,047
Trade receivables	9	37,758	65,733
Other receivables, deposits and prepayments		60,369	133,008
Amounts due from shareholders		32	–
Amounts due from related companies		471	330
Bank balances and cash		46,780	2,360
		<u>337,227</u>	<u>419,478</u>
Current liabilities			
Trade payables	10	11,582	7,997
Other payables and accrued charges		5,987	4,597
Contract liabilities		5,330	1,535
Amount due to a related company		–	25,640
Tax payable		5,460	5,217
Bank borrowings		88,124	178,013
Bank overdrafts		–	4,877
Lease liabilities		4,732	4,637
Provisions		140	–
		<u>121,355</u>	<u>232,513</u>
Net current assets		<u>215,872</u>	<u>186,965</u>
Total assets less current liabilities		<u><u>228,315</u></u>	<u><u>205,124</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 March 2021*

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Non-current liabilities		
Lease liabilities	1,444	5,330
Provisions	500	640
	<u>1,944</u>	<u>5,970</u>
Net assets	<u>226,371</u>	<u>199,154</u>
Capital and reserves		
Share capital	4,000	4,000
Reserves	222,773	195,168
	<u>226,773</u>	<u>199,168</u>
Equity attributable to owners of the Company	<u>226,773</u>	<u>199,168</u>
Non-controlling interests	<u>(402)</u>	<u>(14)</u>
Total equity	<u>226,371</u>	<u>199,154</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	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 2019	4,000	76,298	27,458	79,468	187,224	–	187,224
Profit and total comprehensive income (expense) 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
Profit and total comprehensive income (expense) for the year	–	–	–	27,605	27,605	(388)	27,217
At 31 March 2021	4,000	76,298	27,458	119,017	226,773	(402)	226,371

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 2021

1. GENERAL

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

The shareholders of the Company are Shirz Limited ("**Shirz**"), a limited company incorporated in the British Virgin Islands (the "**BVI**") which holds 70% equity interests in the Company and wholly owned by Ms. Wong Chi Lou Shirley ("**Ms. Shirley Wong**").

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions" and Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021".

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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 Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “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, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on early application of Amendment to HKFRS 16 “COVID-19-Related Rent Concessions” and Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”

The Group has early applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

In March 2021, a further amendment to HKFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021 has been issued by the HKICPA to extend the availability of the practical expedient described above so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. This amendment is effective for annual reporting periods beginning on or after 1 April 2021.

The application of the amendments had no impact to the opening accumulated profits at 1 April 2020. The Group has benefited from seven months waiver of lease payments on several leases in Hong Kong. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$428,000, which has been recognised as variable lease payments in profit or loss for the current year.

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 and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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	
	2021	2020
	HK\$'000	HK\$'000
Sales of wines products		
– Wine products	271,979	262,551
– Other alcoholic beverages	26,880	16,152
– Wine accessory products	764	700
	<u>299,623</u>	<u>279,403</u>
Total revenue	<u>299,623</u>	<u>279,403</u>
Geographical markets:		
Hong Kong	<u>299,623</u>	<u>279,403</u>
Timing of revenue recognition:		
A point in time	<u>299,623</u>	<u>279,403</u>

For sales of wines products, other alcoholic beverages and wine accessory 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 2021 and 2020 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	
	2021	2020
	HK\$'000	HK\$'000
The finance costs represent interest on:		
– bank borrowings	5,315	8,083
– lease liabilities	389	447
	<u>5,704</u>	<u>8,530</u>

5. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,450	1,100
Cost of inventories recognised as an expense	227,556	224,122
Depreciation of property and equipment	1,790	2,863
Depreciation of right-of-use assets	5,028	4,314
COVID-19-related rent concessions	(428)	–
Directors' remuneration	1,272	1,272
Other staff costs		
Salaries and other benefits	11,946	11,308
Retirement benefits scheme contributions	501	513
Total staff costs	<u>13,719</u>	<u>13,093</u>

6. INCOME TAX EXPENSE

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
– Current tax	6,383	3,203
– Under (over) provision in prior years	578	(41)
Deferred tax credit	(112)	(329)
	<u>6,849</u>	<u>2,833</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	
	2021	2020
	HK\$'000	HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>27,605</u>	<u>11,944</u>

	Year ended 31 March	
	2021	2020
	'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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross carrying amount	38,071	66,409
Less: allowance for credit losses	(313)	(676)
	<u>37,758</u>	<u>65,733</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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	14,235	14,792
31-60 days	8,408	11,335
61-90 days	8,015	15,215
91-180 days	4,928	23,294
181-365 days	2,172	1,097
	<u>37,758</u>	<u>65,733</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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0-30 days	243	4,937
31-60 days	891	–
61-90 days	208	968
91-180 days	3,647	1,099
181-365 days	6,593	993
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	11,582	7,997
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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 (“**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. In addition, in view of the impact of the COVID-19 Outbreak on offline sales, the Group has seized the opportunity of launching our products online to capture the demands of customers for our products at home during the Year. The Board believes that the Group can capture the opportunity arising from the different trends in the wine industry.

Financial Review

Revenue

Revenue of the Group increased by approximately 7.2% from approximately HK\$279.4 million for the year ended 31 March 2020 to approximately HK\$299.6 million for the Year. The increase was mainly due to the increase in sales through an online auction conducted by the Group in early 2021.

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 increased by approximately 1.5% from approximately HK\$224.1 million for the year ended 31 March 2020 to approximately HK\$227.6 million 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 increased by approximately 30.4% from approximately HK\$55.3 million for the year ended 31 March 2020 to approximately HK\$72.1 million.

The overall gross profit margin increased and amounted to approximately 19.8% and approximately 24.1% for the years ended 31 March 2020 and 2021, respectively. The Group recorded a relatively higher gross profit margin during the Year mainly due to the increase in gross profit margin on the sales of certain highly sought-after Premium Collectible Red Wine through an online auction conducted by the Group in early 2021.

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 approximately HK\$597,000 for the year ended 31 March 2020 to approximately HK\$3.1 million for the Year, 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 business as amid the outbreak of the novel coronavirus (COVID-19) pandemic (the “**COVID-19 Outbreak**”) during the Year.

Other Gains and Losses, Net

The Group recorded net losses of approximately HK\$0.5 million and net gains of approximately HK\$2.9 million for the years ended 31 March 2021 and 2020, respectively.

The Group recorded net exchange losses of approximately HK\$0.3 million and net exchange gains of approximately HK\$2.9 million for the years ended 31 March 2021 and 2020, 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.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased from approximately HK\$17.7 million for the year ended 31 March 2020 to approximately HK\$15.1 million for the Year. 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 increased from approximately HK\$17.2 million for the year ended 31 March 2020 to approximately HK\$20.2 million for the Year. This increase was primarily attributable to (i) an increase in legal and professional fees; and (ii) an increase in salaries and allowances in connection with the Directors and administrative staff.

Finance costs

Finance costs decreased by approximately 33.1% from approximately HK\$8.5 million for the year ended 31 March 2020 to approximately HK\$5.7 million for the Year. This decrease was primarily attributable to the decrease in the trust receipt loans raised during the Year.

Income tax expense

Income tax expense of the Group increased by over two times from approximately HK\$2.8 million for the year ended 31 March 2020 to approximately HK\$6.8 million for the Year. The increase was mainly attributable to the increase of estimated assessable profit for the Year compared against the year ended 31 March 2020.

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\$27.6 million (2020: approximately HK\$11.9 million).

Dividend

The Board does not recommend the payment of a final dividend to the shareholders of the Company for the Year (2020: 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 2020 and 2021, the Group had net current assets of approximately HK\$187.0 million and approximately HK\$215.9 million, respectively, including bank balances and cash of approximately HK\$2.4 million and approximately HK\$46.8 million respectively. The Group's current ratio (current assets divided by current liabilities) increased from approximately 1.8 as at 31 March 2020 to approximately 2.8 as at 31 March 2021.

Gearing ratio is calculated by dividing total borrowings (including bank borrowings and lease liabilities (2020: including amount due to a related company, bank borrowings and lease liabilities)) by total equity as at the end of the year. The Group's gearing ratio were approximately 109.7% and approximately 41.6% as at 31 March 2020 and 2021, respectively.

Treasury Policies

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

Commitments

The Group's capital commitments are primarily related to the purchase of computer equipment and amounted to approximately HK\$0.1 million and approximately HK\$0.1 million as at 31 March 2020 and 2021, 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 2021, the Company had 400,000,000 shares in issue.

Significant Investments

As at 31 March 2021, there were no significant investments held by the Group.

Material Acquisitions or Disposals of Subsidiaries, Associates or Joint Ventures

As at 31 March 2021 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, the Company provided a 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. The Guarantee has been released in May 2020.

Save as disclosed above, the Group did not have material contingent liabilities as at 31 March 2021 and 2020.

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 45 and 52 as at 31 March 2020 and 2021, 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 2020 and 2021, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$13.1 million and approximately HK\$13.7 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.

During the Year, the Group has made steady progress in refining and expanding its business, putting more emphasis in increasing storage capacity for its products, diversifying and creating new sales channels and expanding its business geographically. Apart from leasing a warehouse in Kwai Chung, the Group has been actively seeking a suitable property to be acquired as its self-owned warehouse with an aim to increase storage of its products. Further, taking into account the continuing growth potential of e-commerce in recent years and to diversify the Group's income streams as well as achieve a synergy effect with its existing businesses, the Group also (i) successfully implemented its e-commerce platform; and (ii) developed and launched an online auction platform in order to further enhance sales of the Group's fine and luxury wine (i.e. red wine with selling prices at or above HK\$10,000 per bottle). These new sales channels may ultimately enhance the financial performance of the Group. During the Year, the Group has also expanded its business geographically by setting up an office in Shanghai, the PRC, to promote its products and expand its sales network through various marketing and sales activities including wine dinners, master classes, wine trips and excursions. The Group believes that the aforesaid developments will optimise the business portfolio of the Group and bolster a sustainable and healthy performance of the Group in the long run.

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

On 10 March 2021, Wine's Link Limited ("**Wine's Link**"), a wholly-owned subsidiary of the Company, as borrower; Hang Seng 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 comprises a revolving loan facility, a credit facility and a corporate credit card, with a maximum facility of HK\$50,000,000, HK\$30,000,000 and HK\$100,000, respectively, which are agreed to be made available by the Lender A to Wine's Link on the terms and conditions contained therein and subject to, among others, review by the Lender A at any time and the Lender A'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 A, the Company shall procure Ms. Shirley Wong and Mr. Roy Ting 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, Ms. Shirley Wong and Mr. Roy Ting, by virtue of their spousal relationship, together hold 70% interest in the Company.

Please refer to the announcement of the Company dated 12 March 2021 for more details.

On 12 March 2021, Wine's Link, a wholly-owned subsidiary of the Company, as borrower; Chong Hing 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 comprises a trade facility and an overdraft facility, with a maximum facility of HK\$35,000,000 and HK\$3,000,000, respectively, which are agreed to be made available by the Lender B to Wine's Link on the terms and conditions therein and subject to, among others, review by the Lender B from time to time and the Lender B's overriding right of repayment of demand.

Pursuant to the Facility Letter B, a specific performance covenant is imposed on Ms. Shirley Wong and Mr. Roy Ting 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, Ms. Shirley Wong and Mr. Roy Ting, by virtue of their spousal relationship, together hold 70% interest in the Company.

Please refer to the announcement of the Company dated 12 March 2021 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 “**Obligors**”), 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 “**Obligors**” 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. During the Year, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

Audit Committee

The Company has set up an audit committee (the “**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 ZHONGHUI ANDA CPA Limited

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, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by ZHONGHUI ANDA CPA Limited 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

Auction Sales identified by the Former Auditor

As disclosed in the announcement of the Company dated 5 July 2021 (the “**5 July Announcement**”), as it and the Company were unable to reach a consensus on the estimated timetable for completion of the audit on the financial results of the Group for the year ended 31 March 2021, Deloitte Touche Tohmatsu (“**Deloitte**” or “**Former Auditor**”) tendered its resignation (the “**Resignation Letter**”) as the auditor of the Company with effect from 5 July 2021. In the Resignation Letter, Deloitte stated that it had not been able to duly obtain sufficient supporting documents and information principally regarding the auction sales and purchases of wines (the “**Auction Sales**”) for the purpose of completing the audit procedure for the financial year ended 31 March 2021.

Specific Procedures in relation to the Auction Sales identified by the Former Auditor

As disclosed in the 5 July Announcement, Zhonghui Anda CPA Limited (“**Zhonghui**”) was appointed as the new auditor of the Company with effect from 5 July 2021, immediately following the resignation of Deloitte on the same date. The consolidated financial results of the Company for the year ended 31 March 2021 as published in this announcement have been agreed with Zhonghui and the Audit Committee.

In response to the then outstanding audit works regarding the Auction Sales as mentioned by Deloitte, Zhonghui has completed the following audit procedures, which have been discussed with and agreed by the Audit Committee:

- obtained and reviewed the valuation report (the “**Valuation Report**”) issued by an independent valuer, Mr. David Wainwright (the “**Valuer**”) from Wainwright Advisors. As stated in the website of Wainwright Advisors, the Valuer is one of the internationally renowned rare wine experts with over 17 years of experiences operating in the international fine wine market. Zhonghui noted from the Valuation Report that the hammer prices of the auctioned wines (many of which are rare wines which are difficult to source according to the Valuer) were all within market estimations as appraised by the Valuer;
- conducted interview with the largest customer (who accounts for approximately 90% of the Auction Sales);
- conducted interviews with the suppliers of the Auction Sales;
- conducted interview(s) with the management of the Company to obtain, among others, details of procedures in conducting the Auction Sales; and
- obtained and perused supporting documents (including the bidding records and accounting ledgers and records) in relation to the Auction Sales.

Zhonghui is of the view that the above audit procedures were appropriate and sufficient for completing audit on the Auction Sales business and the results were satisfactory. No irregularities have been found from the above audit procedures. Based on Zhonghui’s assessment, nothing has come to its attention which would lead it to cast significant doubts on the Auction Sales and/or the then outstanding audit matter as mentioned by Deloitte in its Resignation Letter. The Audit Committee, having considered the above audit procedures performed by Zhonghui regarding the Auction Sales, concurs with the view of Zhonghui and is satisfied that the above audit procedures are sufficient and have satisfactorily addressed the then outstanding audit matter as mentioned by Deloitte.

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

Hong Kong, 30 July 2021

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, M.H..

This announcement will remain on the “Latest Listed Company Information” 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.