



MAJOR
HOLDINGS LIMITED

美捷滙控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1389

INTERIM
REPORT

2017

* For identification purposes only

Corporate Information

Registered office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarter, head office and principal place of business in Hong Kong

Suite 822
Ocean Centre
Harbour City
5 Canton Road
Kowloon
Hong Kong

Company's website

<http://www.majorcellar.com>

Executive directors

Mr. Cheung Chun To (*Chairman*)
Mr. Leung Chi Kin Joseph
Ms. Cheung Wing Shun

Independent non-executive directors

Mr. Wong Siu Ki
Mr. Yue Kwai Wa Ken
Mr. Ngai Hoi Ying

Company secretary

Mr. Sin Chi Keung (HKICPA)

Compliance officer

Ms. Cheung Wing Shun

Authorised representatives

Mr. Cheung Chun To
Mr. Leung Chi Kin Joseph

Audit committee

Mr. Wong Siu Ki (*Chairman*)
Mr. Yue Kwai Wa Ken
Mr. Ngai Hoi Ying

Remuneration committee

Mr. Yue Kwai Wa Ken (*Chairman*)
Mr. Wong Siu Ki
Mr. Ngai Hoi Ying

Nomination committee

Mr. Ngai Hoi Ying (*Chairman*)
Mr. Wong Siu Ki
Mr. Yue Kwai Wa Ken

Principal share registrar and transfer office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal banker

Hongkong and Shanghai
Banking Corporation
China Construction Bank (Asia)
Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank
(Hong Kong) Limited

Auditor

Deloitte Touche Tohmatsu
35/F
One Pacific Place
88 Queensway
Hong Kong

Hong Kong legal adviser

Robertsons
57/F., The Center
99 Queen's Road Central
Hong Kong

Stock code

1389

Financial Highlights

For the six months ended 30 September 2017, unaudited operating results of the Group were as follows:

- profit after taxation for the six months ended 30 September 2017 amounted to approximately HK\$2.5 million, representing an increase of approximately 2.9% from the corresponding period of the previous financial year;
- basic earnings per share for the six months ended 30 September 2017 based on ordinary shares of 2,400,000,000 in issue was 0.10 HK cents; and
- the Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

For the six months ended 30 September 2017

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the "Board") of Major Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2017 together with the unaudited comparative figures for the corresponding period in 2016 as follows:

		Six months ended	
		30 September	
		2017	2016
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	87,995	97,673
Cost of sales		(70,236)	(78,556)
Gross profit		17,759	19,117
Other income		785	19
Other gains and losses, net		(72)	(308)
Promotion, selling and distribution expenses		(7,067)	(7,435)
Administrative expenses		(7,807)	(7,749)
Finance costs	4	(445)	(276)
Profit before taxation		3,153	3,368
Income tax expense	5	(671)	(957)
Profit and total comprehensive income for the period attributable to owners of the Company	6	2,482	2,411
		HK cents	HK cents
Earnings per share, basic and diluted	8	0.10	0.10

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 (unaudited) HK\$'000	31 March 2017 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	13,738	13,951
Intangible assets		463	463
Rental deposits	10	1,271	1,317
		15,472	15,731
Current assets			
Inventories		78,951	76,594
Trade and other receivables, deposits and prepayments	10	22,093	26,866
Amount due from shareholders		861	311
Tax recoverable		1,939	2,149
Pledged bank deposits		6,512	6,506
Bank balances and cash		5,295	11,584
		115,651	124,010
Current liabilities			
Trade and other payables, accrued charges and deposits received	11	10,605	12,848
Obligations under finance leases – due within one year		1,786	1,744
Bank borrowings	12	12,505	20,959
		24,896	35,551
Net current assets		90,755	88,459
Total assets less current liabilities		106,227	104,190
Capital and reserves			
Issued capital	13	3,000	3,000
Reserves		97,194	94,712
Total equity		100,194	97,712
Non-current liabilities			
Obligations under finance leases – due after one year		5,128	6,034
Deferred tax liability		905	444
		6,033	6,478
		106,227	104,190

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	3,000	129,734	(104,902)	30,483	39,397	97,712
Profit and total comprehensive income for the period (unaudited)	-	-	-	-	2,482	2,482
At 30 September 2017 (unaudited)	3,000	129,734	(104,902)	30,483	41,879	100,194
At 1 April 2016 (audited)	1,200	131,534	(104,902)	30,483	41,926	100,241
Bonus issue (note 13)	1,800	(1,800)	-	-	-	-
Profit and total comprehensive income for the period (unaudited)	-	-	-	-	2,411	2,411
At 30 September 2016 (unaudited)	3,000	129,734	(104,902)	30,483	44,337	102,652

Notes:

- (i) The capital reserve represents the difference between the nominal value of the share capital of Major Cellar Company Limited ("Major Cellar") at the date on which it was acquired by Beyond Elite Limited ("Beyond Elite") and the deemed consideration of HK\$104,912,000 settled by issuance of 100 shares by the Company pursuant to the corporate reorganisation completed on 28 August 2013.
- (ii) The other reserve represents deemed contribution from Rouge & Blanc Wines Limited ("Rouge & Blanc") regarding the waiver of amount due to Rouge & Blanc effective on 1 April 2012 which arose from the transfer of wine and spirit products and furniture and fixtures from Rouge & Blanc to Major Cellar on 31 March 2010. Rouge & Blanc is controlled by Mr. Cheung Chun To ("Mr. Cheung") and Mr. Leung Chi Kin Joseph ("Mr. Leung"), directors and shareholders of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Net cash generated from operating activities	4,208	5,732
Net cash used in investing activities	(732)	(17,428)
Net cash (used in) from financing activities	(9,765)	6,361
Net decrease in cash and cash equivalents	(6,289)	(5,335)
Cash and cash equivalents at beginning of the period	11,584	9,322
Cash and cash equivalents at end of the period, represented by bank balances and cash	5,295	3,987



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 2 April 2013 and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 January 2014 and subsequently transferred listing to Main Board of the Stock Exchange on 30 October 2015. The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Suite 822, Ocean Centre, Harbour City, 5 Canton Road, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiary is mainly engaged in the sale and distribution of premium wine and spirits products and wine accessory products in Hong Kong.

The functional currency of the Company is Hong Kong dollar (“HK\$”), which is the same as the presentation currency of the condensed consolidated financial statements.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Companies Ordinance (Cap. 622).

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

In the current period, the Group has applied certain amendments to Hong Kong Financial Reporting Standards ("HKFRSS") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSS in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. 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 operation is solely derived from sale and distribution of premium wine and spirits products and wine accessory products in Hong Kong for both periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors 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 note 2. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

The following is an analysis of the Group's revenue from its major products:

	Six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Red wine	74,632	83,700
White wine	5,529	4,338
Sparkling wine	1,703	2,665
Spirits	6,025	6,837
Wine accessory products	106	132
Other products	-	1
	87,995	97,673

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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, plant and equipment amounting to HK\$13,738,000 (31 March 2017: HK\$13,951,000) as at 30 September 2017 are all located in Hong Kong by physical location of assets.

4. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interests on:		
Bank borrowings	230	267
Obligations under finance leases	215	9
	445	276

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current year	210	488
Deferred tax	461	469
	671	957

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit and total comprehensive income for the period has been arrived at after charging:		
Auditor's remuneration	300	300
Staff costs including directors' emoluments		
Salaries and other benefits	6,058	5,456
Sales commission	746	915
Retirement benefits scheme contributions	220	196
Total staff costs	7,024	6,567
Loss on written off property, plant and equipment (included in other gains and losses, net)	–	295
Depreciation of property, plant and equipment	945	512
Operating lease payments in respect of office premises, warehouses and retail shops	2,745	2,922

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (30 September 2016: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	2,482	2,411
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,400,000	2,400,000

No diluted earnings per share is presented for both periods as there were no potential ordinary shares outstanding for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$732,000 (31 March 2017: HK\$14,079,000).

At 30 September 2017, the carrying values of motor vehicles and yacht included in the amounts of approximately Nil and HK\$12,306,000 (31 March 2017: HK\$619,000 and HK\$12,996,000) in respect of assets held under finance leases.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Trade receivables from third parties	15,303	15,894
Trade deposits paid	5,205	9,408
Other receivables and prepayments	2,856	2,881
Total trade and other receivables, deposits and prepayments	23,364	28,183
Analysed as		
Current	22,093	26,866
Non-current	1,271	1,317
	23,364	28,183

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

Generally, no credit period is offered to walk-in customers at retail shops. The credit period granted to long term and wholesale customers with good business relationship with the Group ranged up to 120 days. Trade receivables from third parties mainly represent receivables from customers in relation to the sales of premium wine and spirits products.

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
0 to 30 days	5,744	6,503
31 to 60 days	2,443	643
61 to 90 days	195	2,689
Over 90 days	6,921	6,059
	15,303	15,894

All the trade receivables that are neither past due nor impaired are due from customers with good settlement history and no default on settlement had been noted.

Included in the Group's trade receivables are debtors with a carrying amount of HK\$3,935,000 (31 March 2017: HK\$7,751,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

11. TRADE AND OTHER PAYABLES, ACCRUED CHARGES AND DEPOSITS RECEIVED

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Trade payables	3,061	5,281
Trade deposits received	4,776	4,247
Other payables and accrued charges	2,768	3,320
	10,605	12,848

Other than trade deposits paid, the credit period on purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
0 to 30 days	1,761	3,817
31 to 60 days	180	159
61 to 90 days	91	195
Over 90 days	1,029	1,110
	3,061	5,281

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

12. BANK BORROWINGS

	As at 30 September 2017 (unaudited) HK\$'000	As at 31 March 2017 (audited) HK\$'000
Secured import loans	11,712	14,141
Unsecured import loans	793	6,818
	12,505	20,959

As at 30 September 2017 and 31 March 2017, the secured bank borrowings were secured by pledged bank deposits. All the bank borrowings are guaranteed by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

13. ISSUED CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised ordinary shares of HK\$0.00125 each At 1 April 2017 and 30 September 2017	8,000,000	10,000
Issued ordinary shares of HK\$0.00125 each At 1 April 2016	960,000	1,200
Bonus issue (Note iii)	1,440,000	1,800
At 30 September 2016	2,400,000	3,000
Issued ordinary shares of HK\$0.00125 each At 1 April 2017 and 30 September 2017	2,400,000	3,000

Notes:

- i) All issued shares rank pari passu in all respects with each other.
- ii) None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2017.
- iii) Pursuant to the bonus issue being completed on 8 July 2016, a total of 1,440,000,000 bonus shares were issued on the basis of three bonus shares for every existing two shares as at 28 June 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

14. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions:

	Six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Sales to related parties		
– Mr. Cheung	370	82
– Mr. Leung	497	249
– Ms. Cheung Wing Shun	–	10
– Major Watch Company Limited ("Major Watch") (Note i)	5	33
	872	374
Rental expense in respect of warehouse paid or payable to Mr. Leung (Note ii)	240	240

Notes:

- i) Major Watch is a private limited company controlled by Mr. Cheung.
- ii) As at 30 September 2017, the Group has commitments for future minimum lease payments in respect of warehouse to Mr. Leung, who is an executive Director of the Company, amounted to HK\$240,000 (31 March 2017: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

Compensation of key management personnel

The remuneration of the Directors and other members of key management which were determined by reference to the Group's performance during the six months ended 30 September 2017 and 2016 were as follows:

	Six months ended	
	30 September	
	2017	2016
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Short-term benefits	2,412	2,353
Post-employment benefits	46	46
	2,458	2,399

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Hong Kong's retail markets are resuming gently. The value of total retail sales by type of retail outlet increased from approximately HK\$206.9 billion for the six months ended 30 September 2016 to approximately HK\$211.4 billion for the six months ended 30 September 2017, representing an increase of approximately 2.2%, as released from the "Report on Monthly Survey of Retail Sales" in September 2017 by the Census and Statistics Department. During the six months ended 30 September 2017, the Group's revenue decreased by approximately 9.9% to approximately HK\$88.0 million (2016: HK\$97.7 million). The decrease was mainly due to the decrease of the sales of red wine and spirits from approximately HK\$83.7 million and HK\$6.8 million for the six months ended 30 September 2016 to approximately HK\$74.6 million and HK\$6.0 million for the six months ended 30 September 2017 respectively.

Facing the uncertain global economic outlook, the currencies of Euro and Great Britain pound picking up against USD and the Hong Kong dollar, the vulnerable Hong Kong retail market, the more intensive competition in premium wine industry, overall business environment has been unstable and challenging for the six months ended 30 September 2017.

Red wine continued to be the Group's core product type and main source of profit driver. In response to the challenging retail market in Hong Kong, the Group will continue to improve its sales by offering and implementing new marketing channels and shopping methods, adjusting its sales and marketing strategies and customizing its inventory portfolio.

Looking forward, despite the uncertain worldwide economic environment, in light of the growing demand for premium wine in Hong Kong and China, the Group is confident to position itself as one of the Hong Kong's main premium wine retailers.

Management Discussion and Analysis

RECENT DEVELOPMENT

On 11 October 2016, the Company, as purchaser, entered into a non-legally binding letter of intent with a vendor (the “Vendor”) in relation to the possible acquisition (the “Possible Acquisition”) of 13.42% issued share capital of a company, namely NSX Limited (“NSX”), is a company incorporated in Australia with limited liability. It wholly-owns and operates, among others, the National Stock Exchange of Australia (“NSXA”) which is licensed by the Australian government since February 2000 and is allowed to operate stock markets in the trading of financial securities, such as to provide facility for, among others, the listing of equity securities, corporate debt and investment scheme units. NSXA lists various companies within Australia and overseas that meet its listing rule requirements, including but not limited to issuers engaging in property, finance, investment, life sciences, consumer, information technology, agriculture, infrastructure, media, asset management, regional banks, health and exploration. On 4 October 2017, the Company announced that it did not enter into any binding agreement with the Vendor on the Possible Acquisition. Announcements on the Possible Acquisition have been made by the Company on 11 October 2016, 12 October 2016, 7 April 2017 and 4 October 2017.

The Group will continue to seek for new business opportunities from time to time in order to diversify its business and enhance the long-term growth potential of the Group and its shareholders’ value.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 9.9% from approximately HK\$97.7 million for the six months ended 30 September 2016 to approximately HK\$88.0 million for the six months ended 30 September 2017.

Gross profit

Gross profit of the Group decreased by approximately 7.1% from approximately HK\$19.1 million for the six months ended 30 September 2016 to approximately HK\$17.8 million for the six months ended 30 September 2017. The change was mainly attributable to the decrease of revenue of the Group for the six months ended 30 September 2017.

Management Discussion and Analysis

Promotion, selling and distribution expenses and administrative expenses

Promotion, selling and distribution expenses of the Group decreased by approximately 4.9% from approximately HK\$7.4 million for the six months ended 30 September 2016 to approximately HK\$7.0 million for the six months ended 30 September 2017. The change was mainly attributable to the decrease in advertising and promotion expenses.

Administrative expenses of the Group increased by approximately 0.7% from approximately HK\$7.7 million for the six months ended 30 September 2016 to approximately HK\$7.8 million for the six months ended 30 September 2017. The increase was mainly attributable to the increase of legal and professional fees.

Depreciation of property, plant and equipment

The depreciation on property, plant and equipment of the Group increased by approximately 84.6% from approximately HK\$512,000 for the six months ended 30 September 2016 to approximately HK\$945,000 for the six months ended 30 September 2017. The increase is mainly attributable to the acquisition of the yacht at a consideration of HK\$13,600,000 in August 2016.

Finance costs

Finance costs of the Group increased by approximately 61.2% from approximately HK\$276,000 for the six months ended 30 September 2016 to approximately HK\$445,000 for the six months ended 30 September 2017. The increase is mainly attributable to the interest paid for the obligations under finance lease for the yacht purchased.

Income tax expense

Income tax expense for the Group decreased by approximately 29.9% from approximately HK\$1.0 million for the six months ended 30 September 2016 to approximately HK\$0.7 million for the six months ended 30 September 2017. The decrease was mainly due to the reduction of estimated assessable profit during the six months ended 30 September 2017 compared to the corresponding period in 2016.

Management Discussion and Analysis

Profit and total comprehensive income for the period attributable to owners of the Company

For the reasons mentioned above, profit and total comprehensive income for the period attributable to owners of the Company increased by approximately 2.9% from approximately HK\$2.4 million for the six months ended 30 September 2016 to approximately HK\$2.5 million for the six months ended 30 September 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (30 September 2016: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2017 (unaudited)	As at 31 March 2017 (audited)
Current assets	HK\$115,651,000	HK\$124,010,000
Current liabilities	HK\$24,896,000	HK\$35,551,000
Current ratio	4.65	3.49

The current ratio of the Group at 30 September 2017 was approximately 4.65 times as compared to that of approximately 3.49 times at 31 March 2017. It was mainly resulted from the 40% decrease in bank borrowings as a result of drop in purchase of inventories. At 30 September 2017, the Group had total bank balances and cash and pledged bank deposits of approximately HK\$11.8 million (31 March 2017: HK\$18.1 million). At 30 September 2017, the Group's gearing ratio (represented by the sum of obligations under finance leases and bank borrowings divided by equity) amounted to approximately 19.4% (31 March 2017: 29.4%). The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank balances and cash and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements.

Management Discussion and Analysis

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK\$10,228,000 as at 30 September 2017 (31 March 2017: HK\$8,865,000). As at 30 September 2017 and 31 March 2017, the Group did not have any significant capital commitments.

PLEDGE OF ASSETS

As at 30 September 2017, the Group pledged its bank balance of HK\$6,500,000 (31 March 2017: HK\$6,500,000) as securities for banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2017 (31 March 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed a total of 40 full-time and 1 part-time employees (31 March 2017: 38 full-time and 1 part-time employees) respectively. The staff costs, including Directors' emoluments, of the Group were approximately HK\$7.0 million for the six months ended 30 September 2017 (30 September 2016: HK\$6.6 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

THE INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

So far as were known to the Directors or chief executive of the Company, based on publicly available information as at 30 September 2017, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the securities and futures ordinance ("SFO")) which will have 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 in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules, were as follows:

Name	Capacity/ Nature of Interest	Number of shares	Approximate percentage of shareholding
Mr. Cheung Chun To	Interest in controlled corporation (Note 1)	761,000,000 shares	31.71%
Mr. Cheung Chun To	Interest of Spouse (Note 1)	11,140,000 shares	0.46%
Mr. Leung Chi Kin Joseph	Interest in controlled corporation (Note 2)	739,500,000 shares	30.81%

Notes:

1. Mr. Cheung Chun To beneficially owns the entire shareholding interests in Silver Tycoon Limited. Therefore, Mr. Cheung Chun To is deemed to be interested in the 761,000,000 shares held by Silver Tycoon Limited. Ms. Lin Shuk Shuen, being the spouse of Mr. Cheung Chun To, beneficially owns 11,140,000 shares in the Company. As a consequence, Mr. Cheung Chun To is deemed to be interested in 772,140,000 shares in the Company.
2. Mr. Leung Chi Kin Joseph beneficially owns the entire shareholding interests in High State Investments Limited. Therefore, Mr. Leung Chi Kin Joseph is deemed to be interested in the 739,500,000 shares held by High State Investments Limited.

Management Discussion and Analysis

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company or its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, required pursuant to section 352 of the SFO to be entered in the register referred to therein or required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

(b) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 September 2017, so far as it were known to the Directors or chief executive of the Company, based on publicly available information, the following persons (other than a director or chief executive of the Company) has interests or short positions in the shares and underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of shares	Approximate percentage of shareholding
Silver Tycoon Limited	Beneficial Owner (Note 1)	761,000,000 shares	31.71%
High State Investments Limited	Beneficial Owner (Note 2)	739,500,000 shares	30.81%
Ms. Lin Shuk Shuen	Interest of Spouse and Beneficial Owner (Note 3)	772,140,000 shares	32.17%
Ms. Ma Pui Ying	Interest of Spouse (Note 4)	739,500,000 shares	30.81%
Zhongou Shengshi Asset Management (Shanghai) Company Limited* (中歐盛世資產管理(上海)有限公司)	Trustee	237,830,000 shares	9.91%

* For identification purposes only

Management Discussion and Analysis

Notes:

1. Mr. Cheung Chun To beneficially owns the entire shareholding interests in Silver Tycoon Limited. Therefore, Mr. Cheung Chun To is deemed to be interested in the 761,000,000 shares held by Silver Tycoon Limited.
2. Mr. Leung Chi Kin Joseph beneficially owns the entire shareholding interests in High State Investments Limited. Therefore, Mr. Leung Chi Kin Joseph is deemed to be interested in the 739,500,000 shares held by High State Investments Limited.
3. Ms. Lin Shuk Shuen is the spouse of Mr. Cheung Chun To, by virtue of the SFO, is therefore deemed to be interested in all the shares held/owned by Mr. Cheung Chun To (by himself and through Silver Tycoon Limited), and together with the 11,140,000 shares beneficially owned by her.
4. Ms. Ma Pui Ying is the spouse of Mr. Leung Chi Kin Joseph and is therefore deemed to be interested in all the shares held/owned by Mr. Leung Chi Kin Joseph (by himself and through High State Investments Limited) by virtue of the SFO.

Save as disclosed above, as at 30 September 2017, the Directors or chief executive of the Company were not aware of any person (other than a director or chief executive of the Company) who has an interest or short position in the securities in the Company that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Share Option Scheme”) providing incentives or rewards to eligible persons of the Group for their contribution to the Group. Details of the Share Option Scheme have been set out in the Company’s 2017 Annual Report. During the six months ended 30 September 2017, there is no option granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the six months ended 30 September 2017.

Management Discussion and Analysis

DIRECTOR'S INTERESTS IN CONTRACTS

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 30 September 2017 or at any time during the six months ended 30 September 2017.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has confirmed, having made specific enquiry to the Directors, all the Directors have complied with the Model Code during the six months ended 30 September 2017.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rule during the six months ended 30 September 2017 and the Directors will use the best endeavours to procure the Company to comply with such code and provisions in accordance with the Listing Rules.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

There were no significant investments held as at 30 September 2017. The Group did not have other plans for material investments and capital assets as at 30 September 2017.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, 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.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

The Group has foreign currency purchases denominated in Euro, Great Britain Pound, Swiss Franc and United States Dollar. Certain bank balances and cash and trade payables related to purchases made by the Group were denominated in foreign currencies. However, the Directors consider the foreign exchange exposure minimal as a majority of the Group's sales, monetary assets and liabilities are denominated in HK\$.

As at 30 September 2017, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

AUDIT COMMITTEE

The primary duties of the Audit Committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group, internal control and risk management systems of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Group. The Audit Committee consists of three members, namely Mr. Wong Siu Ki, Mr. Yue Kwai Wa Ken and Mr. Ngai Hoi Ying, all being independent non-executive Directors. The interim financial information has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of the Company (www.majorcellar.com) and the Stock Exchange (www.hkexnews.hk). The 2017 interim report will be dispatched to shareholders and available on the above websites in due course.

By Order of the Board
Major Holdings Limited
CHEUNG Chun To
Chairman

Hong Kong, 28 November 2017

