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美捷滙控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1389)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019**

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2019:

- Revenue decreased by approximately 21.3% from approximately HK\$217.2 million for the year ended 31 March 2018 to approximately HK\$171.0 million for the year ended 31 March 2019
- Profit and total comprehensive income attributable to the owners of the Company for the year ended 31 March 2018 was approximately HK\$6.6 million, whereas loss and total comprehensive expense attributable to owners of the Company for the year ended 31 March 2019 was approximately HK\$1.0 million
- Basic earnings per share was HK0.28 cents for the year ended 31 March 2018, whereas basic loss per share was HK0.04 cents for the year ended 31 March 2019
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil)

* For identification purposes only

ANNUAL RESULTS

The directors (the “**Directors**”) of the board (the “**Board**”) is pleased to announce the audited consolidated results of Major Holdings Limited (the “**Company**”) and its subsidiaries (collectively as the “**Group**”) for the year ended 31 March 2019 together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Revenue	3	170,980	217,226
Cost of sales		(134,464)	(173,530)
Gross profit		36,516	43,696
Interest revenue		16	12
Other income	4	1,594	957
Other gains and losses, net	5	43	(754)
Promotion, selling and distribution expenses		(17,953)	(16,649)
Administrative expenses		(19,870)	(17,670)
Profit from operations		346	9,592
Finance costs	6	(1,142)	(1,046)
(Loss)/profit before tax		(796)	8,546
Income tax expense	7	(197)	(1,904)
(Loss)/profit and total comprehensive (expense)/ income for the year attributable to owners of the Company	8	(993)	6,642
(Loss)/earnings per share	10		
– Basic and diluted (cents)		(0.04)	0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	11	19,904	12,953
Goodwill	12	2,254	–
Intangible assets	13	900	–
Derivative financial instrument	14	300	–
Deposits	17	632	1,878
		23,990	14,831
Current assets			
Inventories	15	88,228	81,057
Trade receivables	16	12,984	14,215
Prepayments, deposits and other receivables	17	37,305	9,689
Current tax assets		361	658
Pledged bank deposits	18	4,534	3,018
Bank and cash balances	18	8,877	19,355
		152,289	127,992
Current liabilities			
Trade payables	19	3,388	2,857
Contract liabilities	20	4,004	3,644
Other payables and deposits received		6,401	2,137
Bank borrowings	21	13,506	22,939
Due to a director	22	5,000	–
Finance lease payables	23	1,953	1,842
		34,252	33,419
Net current assets		118,037	94,573
Total assets less current liabilities		142,027	109,404

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Finance lease payables	23	2,240	4,193
Deferred tax liabilities	24	906	857
		<u>3,146</u>	<u>5,050</u>
 NET ASSETS		 <u>138,881</u>	 <u>104,354</u>
Capital and reserves			
Share capital	25	3,600	3,000
Reserves		<u>135,281</u>	<u>101,354</u>
 TOTAL EQUITY		 <u>138,881</u>	 <u>104,354</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note i)	Other reserve HK\$'000 (note ii)	Retained profits HK\$'000	
At 1 April 2017	3,000	129,734	(104,902)	30,483	39,397	97,712
Profit and total comprehensive income for the year	–	–	–	–	6,642	6,642
At 31 March 2018	3,000	129,734	(104,902)	30,483	46,039	104,354
At 1 April 2018	3,000	129,734	(104,902)	30,483	46,039	104,354
Loss and total comprehensive expense for the year	–	–	–	–	(993)	(993)
Issue of shares for acquisition of a subsidiary (note 25)	600	34,920	–	–	–	35,520
Changes in equity for the year	600	34,920	–	–	(993)	34,527
At 31 March 2019	3,600	164,654	(104,902)	30,483	45,046	138,881

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 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 and Mr. Leung Chi Kin Joseph, the directors and also the shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

Major Holdings Limited was incorporated in Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Suite 822, Ocean Centre, Harbour City, 5 Canton Road, Kowloon, Hong Kong. The Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 January 2014 and subsequently transferred listing to the Main Board of the Stock Exchange on 30 October 2015.

The Company is an investment holding company and its principal subsidiaries are engaged in sale and distribution of premium wine and spirits products and wine accessory products in Hong Kong, and trading of wine, wine storage and wine consignment service.

In the opinion of the directors of the Company, as at 31 March 2019, Silver Tycoon Limited, a company incorporated in the British Virgin Islands, is the immediate parent and Mr. Cheung Chun To is the ultimate controlling party of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

A. HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

HK\$'000

At 31 March 2018:

Decrease in other payables and deposits received	(3,644)
Increase in contract liabilities	3,644
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The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers and total revenue		
Sales of goods	170,980	217,226
Disaggregation of revenue from contracts with customers:		
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Major products		
Red wine	144,596	189,576
White wine	8,666	10,393
Sparkling wine	5,721	4,788
Spirit	9,769	12,205
Sake	1,233	–
Wine accessory products	678	264
Others	317	–
	170,980	217,226

The Group's geographical market is mainly in Hong Kong. The revenue is recognised at a point of time for the year.

Sales of goods

The Group sells red wine, white wine, sparkling wine, spirit, sake and wine accessory products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The products sold to customers are returnable to the Group within one week from delivery to the customers. Revenue from these sales is recognised based on the prices specified in the contracts, net of the estimated sales return. Accumulated experience is used to estimate and provide for the sales return, using the expected value method. A contract liability is recognised for the expected sales return payable to customers in relation to the sales made.

Sales to customers are normally made with credit terms of 0 to 30 days. For walk-in customers at retail shops, no credit period is offered. For certain long term and wholesale customers with good business relationship, credit period up to 120 days is granted. For other customers, deposits or cash on delivery is required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's operating segment is sale and distribution of premium wine and spirits products and wine accessory products. 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 notes to the consolidated financial statements. Since this is the only operating segment of the Group, no further analysis thereof is presented.

Geographical information:

The Group's revenue are all derived from Hong Kong based on the location of goods delivered and all of the Group's non-current assets are located in Hong Kong by physical location of assets.

Revenue from major customers:

No revenue is derived from a single customer of the Group which amounted for over 10% of the Group's total revenue (2018: Nil).

4. OTHER INCOME

	2019 HK\$'000	2018 <i>HK\$'000</i>
Consignment commission	316	–
Storage fee income	838	118
Reversal of impairment loss on trade deposits paid	249	–
Others	191	839
	1,594	957

5. OTHER GAINS AND LOSSES, NET

	2019 HK\$'000	2018 <i>HK\$'000</i>
Impairment loss on other receivables	–	(639)
Net foreign exchange gain/(loss)	43	(115)
	43	(754)

6. FINANCE COSTS

	2019 HK\$'000	2018 <i>HK\$'000</i>
Finance lease charges	291	401
Interest on bank borrowings	851	645
	1,142	1,046

7. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	406	1,491
Over-provision in prior year	(110)	–
	296	1,491
Deferred tax (<i>note 24</i>)	(99)	413
	197	1,904

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 March 2019.

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before tax	(796)	8,546
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	(131)	1,410
Tax effect of expenses that are not deductible	415	531
Tax effect of temporary differences not recognised	23	(37)
Over-provision in prior year	(110)	–
Income tax expense	197	1,904

8. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2019 HK\$'000	2018 HK\$'000
Depreciation	2,905	1,914
Directors' emoluments		
– Directors' fees	396	391
– Salaries, bonuses and other emoluments	4,460	4,320
– Retirement benefit scheme contributions	54	54
	<u>4,910</u>	<u>4,765</u>
Operating lease charges in respect of office premises, warehouses and retail shops (included contingent rentals of HK\$Nil (2018: Nil))	8,150	5,718
Auditor's remuneration	430	430
Cost of inventories sold	134,464	173,530
Net (reversal of allowance)/allowance for inventories (included in cost of inventories sold)	(924)	663
Write off of intangible assets (included in administrative expenses)	–	463
Staff costs including directors' emoluments		
– Salaries, bonuses and allowances	15,763	13,891
– Sale commission	1,124	2,095
– Retirement benefit scheme contributions	545	472
	<u>17,432</u>	<u>16,458</u>

9. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2019 (2018: Nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the following:

	2019 HK\$'000	2018 HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	<u>(993)</u>	<u>6,642</u>
	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>2,572,274</u>	<u>2,400,000</u>

(b) Diluted (loss)/earnings per share

No diluted loss per share (2018: no diluted earnings per share) are presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 March 2019.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office computers HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Yacht and watercraft HK\$'000	Total HK\$'000
Cost						
At 1 April 2017	2,839	960	1,818	1,766	13,800	21,183
Additions	740	40	136	–	–	916
Disposals	–	–	–	(280)	–	(280)
At 31 March 2018 and 1 April 2018	3,579	1,000	1,954	1,486	13,800	21,819
Additions	8,362	104	209	–	–	8,675
Acquisition of a subsidiary	–	292	3,414	–	–	3,706
At 31 March 2019	11,941	1,396	5,577	1,486	13,800	34,200
Accumulated depreciation						
At 1 April 2017	2,635	890	1,756	1,147	804	7,232
Provided for the year	273	28	33	200	1,380	1,914
Disposals	–	–	–	(280)	–	(280)
At 31 March 2018 and 1 April 2018	2,908	918	1,789	1,067	2,184	8,866
Provided for the year	1,106	47	186	186	1,380	2,905
Acquisition of a subsidiary	–	245	2,280	–	–	2,525
At 31 March 2019	4,014	1,210	4,255	1,253	3,564	14,296
Carrying amount						
At 31 March 2019	7,927	186	1,322	233	10,236	19,904
At 31 March 2018	671	82	165	419	11,616	12,953

At 31 March 2019, the carrying amount of yacht and watercraft held by the Group under finance leases amounted to HK\$10,087,000 (2018: HK\$11,447,000).

12. GOODWILL

HK\$'000

Carrying amount as at 1 April 2017, 31 March 2018 and 1 April 2018	–
Arising on acquisition of a subsidiary	2,254

Carrying amount as at 31 March 2019	2,254
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Impairment testing of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (“CGUs”) that are expected to benefit from that business combination.

The carrying amount of goodwill had been allocated as follows:

HK\$'000

Trading of wine, wine storage and wine consignment services	2,254
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The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2018: Nil). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group’s sale and distribution of premium wine and spirits products and wine accessory products activities is 11.4% (2018: Nil).

13. INTANGIBLE ASSETS

	Customer relationship HK\$'000	Money lenders license HK\$'000	Total HK\$'000
Cost			
At 1 April 2017, 31 March 2018 and 1 April 2018	–	463	463
Acquisition of a subsidiary	900	–	900
	<hr/>	<hr/>	<hr/>
At 31 March 2019	900	463	1,363
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment losses			
At 1 April 2017	–	–	–
Impairment loss	–	463	463
	<hr/>	<hr/>	<hr/>
At 31 March 2018, 1 April 2018 and 31 March 2019	–	463	463
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 March 2019	900	–	900
	<hr/>	<hr/>	<hr/>
At 31 March 2018	–	–	–
	<hr/>	<hr/>	<hr/>

The remaining amortisation period of the customer relationship is 4 years (2018: Nil).

14. DERIVATIVE FINANCIAL INSTRUMENT

	2019 HK\$'000	2018 HK\$'000
Profit guarantee of The Wine Cave Company Limited	300	–
	<hr/>	<hr/>

Pursuant to the sale and purchase agreement, the profit guarantee for The Wine Cave Company Limited's profit after tax for the years ended 31 March 2019 and 2020 shall not be less than HK\$2,500,000 and HK\$3,000,000 respectively. In the event of guaranteed profit cannot be met, the shortfall amount, after multiplying by a factor, will be paid to Beyond Elite Limited, a subsidiary of the Company by Mr. Zheng Huanming, ex-shareholder of The Wine Cave Company Limited. The fair value of profit guarantee of The Wine Cave Company Limited was HK\$300,000 at date of acquisition and 31 March 2019 based on valuation performed by Ravia Global Appraisal Advisory Limited, an independent qualified professional valuer, by using probability-weighted expected return method.

15. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Premium wine and spirits products	87,211	80,062
Wine accessory products	1,017	995
	<hr/>	<hr/>
	88,228	81,057
	<hr/>	<hr/>

16. TRADE RECEIVABLES

Sales to customers are normally made with credit terms of 0 to 30 days. Generally, no credit period is offered to walk-in customers at retail shops. The credit period granted to certain 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.

	2019 HK\$'000	2018 HK\$'000
Trade receivables	13,003	14,215
Provision for loss allowance	(19)	–
	<hr/>	<hr/>
Carrying amount	12,984	14,215
	<hr/>	<hr/>

The ageing analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

	2019 HK\$'000	2018 HK\$'000
0 to 30 days	10,109	10,704
31 to 60 days	244	2,951
61 to 90 days	974	260
91 to 120 days	135	2
121 to 180 days	152	1
181 to 365 days	205	154
Over 365 days	1,165	143
	<hr/>	<hr/>
	12,984	14,215
	<hr/>	<hr/>

Reconciliation of loss allowance for trade receivables:

	HK\$'000
At 1 April 2017, 31 March 2018 and 1 April 2018	–
Acquisition of a subsidiary	19
	<hr/>
At 31 March 2019	19
	<hr/>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 60 days past due	Over 120 days past due	Total
At 31 March 2019					
Weighted average expected loss rate	–	–	–	1.34%	
Receivable amount (HK\$'000)	10,365	228	987	1,423	13,003
Loss allowance (HK\$'000)	–	–	–	19	19
At 31 March 2018					
Weighted average expected loss rate	–	–	–	–	
Receivable amount (HK\$'000)	13,422	493	–	300	14,215
Loss allowance (HK\$'000)	–	–	–	–	–

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Prepayments and other receivables	4,462	711
Trade deposits paid	31,371	9,349
Rental and utilities deposits	2,077	1,495
Other deposits	27	12
	37,937	11,567
	2019 HK\$'000	2018 HK\$'000
Analysed as:		
Current assets	37,305	9,689
Non-current assets	632	1,878
	37,937	11,567

18. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure short-term banking facilities granted to the Group as set out in note 21 to this announcement. The deposits are in Hong Kong dollars and at prevailing market rates of 0.4% p.a. (2018: 0.4% p.a.).

19. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	804	1,018
31 to 60 days	816	580
61 to 90 days	351	247
91 to 365 days	413	105
Over 365 days	1,004	907
	3,388	2,857

20. CONTRACT LIABILITIES

Disclosures of revenue-related item:

	As at 31 March 2019 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 1 April 2017 <i>HK\$'000</i>
Contract liabilities	4,004	3,644	4,247
Contract receivables (included in trade receivables)	12,984	14,215	15,894

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

– year ended 31 March 2019	N/A	3,160
– year ended 31 March 2020	4,004	484
	4,004	3,644

Year ended 31 March

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue recognised in the year that was included in contract liabilities at beginning of year	3,160	4,148

Significant changes in contract liabilities during the year:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Increase due to operations in the year	76,243	107,621
Increase due to business combination	1,210	–
Transfer of contract liabilities to revenue	(77,093)	(108,224)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

21. BANK BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Secured import loans	8,014	12,997
Unsecured import loans	5,492	9,942
	<u>13,506</u>	<u>22,939</u>

The borrowings are repayable as follows:

	2019 HK\$'000	2018 HK\$'000
On demand or within one year	13,506	22,939
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(13,506)</u>	<u>(22,939)</u>
Amount due for settlement after 12 months	<u>–</u>	<u>–</u>

The average interest rates at 31 March were as follows:

	2019	2018
Bank borrowings	<u>3.21% – 4.99%</u>	<u>3.21% – 3.87%</u>

As at 31 March 2019, the secured import loans of HK\$8,014,000 (2018: HK\$12,997,000) are secured by the pledged bank deposits of the Group. All the bank borrowings were guaranteed by the Company.

22. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed repayment terms.

23. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Within one year	2,132	2,132	1,953	1,842
Over one year but within five years	2,311	4,443	2,240	4,193
Over five years	—	—	—	—
	4,443	6,575	4,193	6,035
Less: Future finance charges	(250)	(540)	—	—
Present value of lease obligations	4,193	6,035	4,193	6,035
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,953)	(1,842)
Amount due for settlement after 12 months			2,240	4,193

It is the Group's policy to lease its yacht under finance leases. The lease term is 5 years (2018: 5 years). As at 31 March 2019, the average borrowing rates of the Group was 2.4% p.a. (2018: 2.4% p.a.). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has an option to purchase the yacht at nominal prices.

All finance lease payables are denominated in Hong Kong dollars.

24. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised by the Group and movements thereon during current and prior years:

	Fair value adjustment of intangible assets HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2017	—	620	(176)	444
Charge to profit or loss (note 7)	—	237	176	413
At 31 March 2018 and 1 April 2018	—	857	—	857
Credit to profit or loss (note 7)	—	(42)	(57)	(99)
Acquisition of a subsidiary	148	—	—	148
At 31 March 2019	148	815	(57)	906

25. SHARE CAPITAL

	<i>Note</i>	Number of shares '000	Total HK\$'000
Authorised:			
Ordinary shares of HK\$0.00125 (2018: HK\$0.00125) each			
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019		<u>8,000,000</u>	<u>10,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.00125 (2018: HK\$0.00125) each			
At 1 April 2017, 31 March 2018 and 1 April 2018		2,400,000	3,000
Issue of shares for acquisition of a subsidiary	(a)	<u>480,000</u>	<u>600</u>
At 31 March 2019		<u>2,880,000</u>	<u>3,600</u>

Note:

- (a) On 20 November 2018, the Group acquired 100% of the issued share capital of The Wine Cave Company Limited by allotting 480,000,000 shares to Mr. Zheng Huanming as consideration shares.

All issued shares rank pari passu in all respects with each other.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed shares during the years ended 31 March 2019 and 2018.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings and finance lease payables as disclosed in notes 21 and 23 to this announcement, respectively, and equity of the Group, comprising issued capital, share premium, capital reserve, other reserve and retained profits.

The directors of the Company review the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In accordance with the data released from the Hong Kong Census and Statistics Department, the value of Hong Kong total retail sales by type of retail outlet increased from approximately HK\$435.1 billion in March 2017 to approximately HK\$462.4 billion in March 2018, and further increased to approximately HK\$483.6 billion in March 2019, representing a year-on-year increase by approximately 6.3% and increase by 4.6% respectively. For the year ended 31 March 2019, the Group's revenue decreased by approximately 21.3% to approximately HK\$171.0 million (2018: HK\$217.2 million). The decrease was mainly due to the decrease of the sales of red wine from approximately HK\$189.6 million for the year ended 31 March 2018 to approximately HK\$144.6 million for the year ended 31 March 2019.

In March 2019, the value of Retail Sales of Hong Kong decreased by 0.2%, the volume of Retail Sales decreased by 0.8%, and the value of sales of food, alcoholic and tobacco decreased by 3.6% as compared with the figure in March 2018. The Hong Kong wine retail market faced the similar trend of diminishing demand. To tackle this unfavourable environment, the Group took proactive steps to explore different sales channels, organize marketing activities, develop front-line wine consultants' expertise, and build up our professional image in the industry.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 21.3% from approximately HK\$217.2 million for the year ended 31 March 2018 to approximately HK\$171.0 million for the year ended 31 March 2019. The decrease was mainly due to the decrease of the sales of red wine from approximately HK\$189.6 million for the year ended 31 March 2018 to approximately HK\$144.6 million for the year ended 31 March 2019.

Gross profit

Gross profit of the Group decreased by approximately 16.4% from approximately HK\$43.7 million for the year ended 31 March 2018 to approximately HK\$36.5 million for the year ended 31 March 2019. The decrease was mainly due to the decrease in revenue during the year ended 31 March 2019. The gross profit margin increased slightly from approximately 20.1% for the year ended 31 March 2018 to approximately 21.4% for the year ended 31 March 2019.

Other income

Other income of the Group for the year ended 31 March 2018 was approximately HK\$1.0 million, whereas other income of the Group for the year ended 31 March 2019 was approximately HK\$1.6 million. The significant change was mainly attributable to the operation gain from Consignment Income and Storage Income through the Group's newly acquired subsidiary company "The Wine Cave Company Limited", for the year ended 31 March 2019.

Depreciation of property, plant and equipment

Depreciation on property, plant and equipment of the Group for the year ended 31 March 2018 was approximately HK\$1.9 million, whereas depreciation on property, plant and equipment of the Group for the year ended 31 March 2019 was approximately HK\$2.9 million. The significant change was mainly attributable to the increase in depreciation on leasehold improvements approximately HK\$0.8 million in respect of the newly leased warehouse.

Promotion, selling and distribution expenses and administrative expenses

Promotion, selling and distribution expenses of the Group increased by approximately 7.8% from approximately HK\$16.6 million for the year ended 31 March 2018 to approximately HK\$18.0 million for the year ended 31 March 2019. The change was mainly attributable to the increase in rent and rates expenses in respect of the newly leased warehouse for the year ended 31 March 2019.

Administrative expenses of the Group increased by approximately 12.5% from approximately HK\$17.7 million for the year ended 31 March 2018 to approximately HK\$19.9 million for the year ended 31 March 2019. The change was mainly attributable to the increase in staff costs for the year ended 31 March 2019.

Income tax expense

Income tax expense of the Group decreased from approximately HK\$1.9 million for the year ended 31 March 2018 to approximately HK\$0.2 million for the year ended 31 March 2019. The decrement was mainly due to the decrease of estimated assessable profit for the year ended 31 March 2019 as compared to the corresponding period in 2018.

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

For the reasons mentioned above, profit and total comprehensive income attributable to the owners of the Company for the year ended 31 March 2018 was approximately HK\$6.6 million, whereas loss and total comprehensive expense attributable to owners of the Company for the year ended 31 March 2019 was approximately HK\$1.0 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to shareholders of the Company for the year ended 31 March 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2019 Annual General Meeting, the register of members of the Company will be closed from Tuesday, 6 August 2019 to Friday, 9 August 2019, both dates inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration not later than 4:30 p.m. on Monday, 5 August 2019.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company will be held on Friday, 9 August 2019. A notice convening the meeting will be issued in due course.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2019	2018
Current assets	HK\$152,289,000	HK\$127,992,000
Current liabilities	HK\$34,252,000	HK\$33,419,000
Current ratio	<u>4.45</u>	<u>3.83</u>

The current ratio of the Group at 31 March 2019 was approximately 4.45 times as compared to that of approximately 3.83 times at 31 March 2018. It was mainly attributed to the increase in inventories, trade deposit paid, and other receivable and prepayments for the year ended 31 March 2019.

At 31 March 2019, the Group had total bank balances and cash of approximately HK\$8.9 million (2018: HK\$19.4 million) and pledged bank deposits of HK\$4.5 million (2018: HK\$3.0 million).

At 31 March 2019, the Group's gearing ratio (represented by amount due to a director, obligations under finance leases and bank borrowings divided by equity) amounted to approximately 16.3% (2018: 27.8%). The Group currently does not enter into any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises, warehouse and retail shops. The Group's operating lease commitments amounted to approximately HK\$8.3 million as at 31 March 2019 (2018: HK\$7.5 million). As at 31 March 2019, the Group did not have any significant capital commitments (2018: Nil).

CAPITAL STRUCTURE

Details of the movements in the Company's share capital are set out in note 25 to this announcement.

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

Save for those disclosed in this report, these were no other significant investments held as at 31 March 2019. The Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 20 November 2018, the Group has completed the acquisition of The Wine Cave Company Limited. Please refer to (i) the announcements of the Company dated 9 August 2018, (ii) the circular of the Company dated 2 November 2018, and (iii) the announcement of the Company dated 20 November 2018 for details of the acquisition.

Saved as above, the company did not have any other material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2019 (2018: Nil).

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 of the Company ("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 31 March 2019, the Group had no significant exposure under foreign currency purchase contracts. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

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.

PLEDGE OF ASSETS

As at 31 March 2019, the Group has pledged bank deposits of HK\$4.5 million (2018: HK\$3.0 million) to secure the banking facilities granted to the Group.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 30 December 2013 which became effective on 10 January 2014. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

(b) Participants of the Share Option Scheme and Eligibility Criteria

The eligible persons of the Share Option Scheme to whom options may be granted by the Board shall include any directors, employee, consultants or advisers, or any other person, who at the sole discretion of the Board, has contributed to the Group ("Eligible Person").

(c) Maximum number of Shares available for Subscription

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme unless the Company obtains a fresh approval.

(d) Maximum entitlement of each Eligible Person

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve month period must not exceed 1% of the issued share capital of the Company.

(e) Time of exercise of Option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to the grantee which the Board may in its absolute discretion determine, saved for as that such period shall not be more than ten years from the date of acceptance of the offer (subject to the provisions for early termination in accordance with the Share Option Scheme).

(f) Subscription Price

The subscription price in respect of any option shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of:

- (i) the closing price per Share as stated in The Stock Exchange of Hong Kong Limited's ("Stock Exchange") daily quotation sheet on the offer date;
- (ii) the average of the closing prices per Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date;
or
- (iii) the nominal value of the Share.

(g) Life of the Share Option Scheme

The Company may, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme. Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

During the year ended 31 March 2019, no option under the Share Option Scheme has been granted by the Company (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 49 full-time and 1 part-time employees (2018: 41 full-time and 1 part-time employees) respectively. The staff costs, including Directors' emoluments, of the Group were approximately HK\$17.4 million for the year ended 31 March 2019 (2018: HK\$16.5 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 and discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

OUTLOOK

Global economic growth is expected to slow down in 2019, according to the World Bank. International trade and investment are moderating, trade tensions remain elevated, and financing measures are tightening. Emerging market and developing economies, in face of financial stress, are losing momentum.

Looking ahead in 2019, the United States-mainland China tussle will continue in several areas. Mainland China will be facing a complex external environment and downward pressure in the economy. The central government will continue to adopt a number of measures and policies to stimulate market vitality, demand potential and endogenous driving forces. Consumers remain the key driver of mainland China's domestic growth, and the Chinese consumers will continue to trade up. Keen competition in the retailing sector is expected.

Hong Kong economy will be facing a challenging external environment in 2019. The expected moderation in economic growth of many of Hong Kong's key trading partners would weigh on Hong Kong's exports. The downside risks to domestic demand have increased in view of the recent deterioration in business sentiment and consolidation of local asset markets, though positive labour market conditions should continue to provide some support to local consumption in the near term. Should the external headwinds exacerbate the overall economic environment further, private consumption and investment could be subject to more pressure in 2019.

The management of the Group remains cautiously optimistic about future prospects. However, in face of the complex and volatile global economy and geopolitics, the outlook is full of uncertainties. As an open economy, Hong Kong is particularly vulnerable to the impact of the global situation. At the same time, the local economy and consumption structure are also gradually changing. Challenges and opportunities coexist. The Group is fundamentally strong with a healthy financial position, which is capable of facing the potential challenges.

According to the Hong Kong Trade Development Council Research Report on 6 September 2018, which provided statistical data for the previous year of 2018, and data from Euromonitor International, in January to June 2018, imports of wine amounted to HK\$6.2 billion, more than three times of the value of HK\$1.6 billion in 2007. Wine sales in Hong Kong amounted to US\$1,620 million or 34.8 million liters in 2017, up 5.2% and 2.5%, respectively, per annum in the past five years. For 2017 to 2022, it is forecasted to grow 5% per annum in value terms and 3.8% per annum in volume terms.

Industry Trends

In accordance with the data from Euromonitor International, consumers in Asia are increasingly wine savvy and their demand for wine remains strong. Wine sales in Asia amounted to US\$103.0 billion or 6.4 billion litres in 2017, down 1.0% (in terms of value) and up 1.6% (in terms of volume), respectively, per annum in the past five years. For 2017 to 2022, it is forecast to grow 6.7% per annum in value terms and 3.1% per annum in volume terms. Sales in China are more spectacular, with an amount of US\$71.2 billion or 4.8 billion litres in 2017, up 4.0% and 4.7%, respectively, per annum in the past five years. For 2017 to 2022, it is forecast to grow 10.4% per annum in value terms and 5.0% per annum in volume terms.

Due to the growing demand for wine in Asia and the deregulation of wine imports, wine business has boomed in Hong Kong. Besides new entries, increasingly, international wine companies and their specialists have moved to Hong Kong. For example, Robert Sleight, senior director and head of Sotheby's wine department in Asia, has been relocated to Hong Kong from New York since September 2010. Also, after six years in Singapore, the Regional Council of Burgundy has moved its only office in Asia to Hong Kong.

To cope with the improving demand in Hong Kong, the Group implemented certain strategical sales and marketing activities, such as organizing different sales campaigns, wine tasting, events and functions, broadening customer base, and product mix. We also organized innovative marketing campaigns, such as arranging regular dynamic marine wine tasting experience to our prestige customers in the yacht of the Group, which served as a platform for us to share plenty of wine inspiration and knowhow under an extremely relaxing atmosphere.

In respect of the professional development on wine consultants, the Group is committed to deploy resources to enhance our professionalism in the industry, by motivating front-line wine consultants in their professional advancement, achieving recognized wines and spirits awards, continuous studies, training and tasting experience. The Group regarded these as precious assets, which are essential to our development in the industry.

Whilst the Group is confident to develop actively in the premium wine and spirit market, red wine continued to be one of the Group's core product type, upon which the Group will continue to improve its sales by implementing new sales and marketing strategies, marketing channels, promotion methods. As a whole, the Group will endeavor to position itself as one of the Hong Kong's main premium wine retailers in the long run.

Apart from that, the Group will actively seek for new business opportunities from time to time in order to diversify its business and enhance the long-term growth of the Group and its shareholders' value.

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 year ended 31 March 2019.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance, in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder 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 year ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value. The Board has adopted the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2019. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability. The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31 March 2019. The Directors will continue to use their best endeavors to procure the Company to comply with the CG Code and make disclosure of deviation from such code in accordance with the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors for the year ended 31 March 2019.

AUDIT COMMITTEE

The primary duties of the Audit Committee are mainly to review and supervise the financial systems of the Group; to review the accounting policy, financial position, financial reporting procedures, internal control and risk management systems of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel. The Audit Committee consists of three members, namely Mr. Siu Shing Tak, Mr. Yue Kwai Wa Ken and Mr. Ngai Hoi Ying, all being independent non-executive Directors. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 March 2019.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2019 are set out in notes to the consolidated financial statements. The related party transactions are either connected transactions or continuing connected transactions fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

EVENT AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

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 ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with 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.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.majorcellar.com). The annual report of the Company for the year ended 31 March 2019 and the notice of annual general meeting of the Company will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.majorcellar.com) in due course.

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

Hong Kong, 21 June 2019

As at the date of this announcement, the executive Directors are Mr. Cheung Chun To, Mr. Leung Chi Kin Joseph and Ms. Cheung Wing Shun, the independent non-executive Directors are Mr. Yue Kwai Wa Ken, Mr. Ngai Hoi Ying and Mr. Siu Shing Tak.