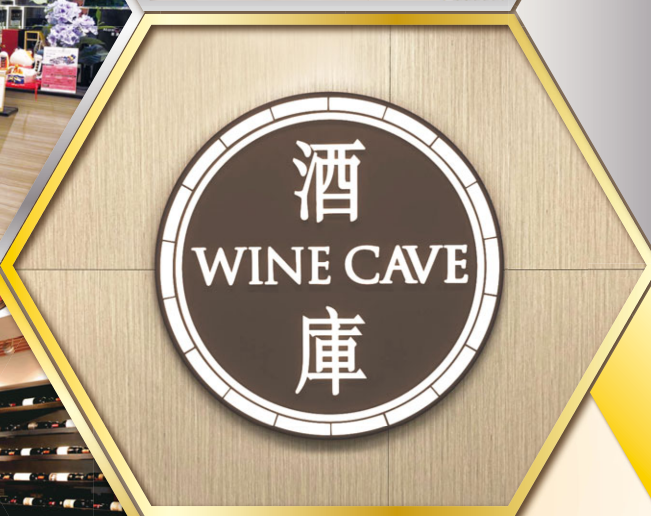
MAJOR HOLDINGS LIMITED

美捷滙控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1389



2019 ANNUAL REPORT

* 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
www.majorcellar.com

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

Independent non-executive directors
Mr. Yue Kwai Wa Ken
Mr. Ngai Hoi Ying
Mr. Siu Shing Tak

Company secretary
Mr. Sin Chi Keung

Compliance officer
Ms. Cheung Wing Shun

Authorised representatives
Mr. Cheung Chun To
Mr. Leung Chi Kin Joseph

Audit committee
Mr. Siu Shing Tak *(Chairman)*
Mr. Yue Kwai Wa Ken
Mr. Ngai Hoi Ying

Remuneration committee
Mr. Yue Kwai Wa Ken *(Chairman)*
Mr. Siu Shing Tak
Mr. Ngai Hoi Ying

Nomination committee
Mr. Ngai Hoi Ying *(Chairman)*
Mr. Siu Shing Tak
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
(which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019)

Principal banker
DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Citibank, N.A.

Auditor
ZHONGHUI ANDA CPA LIMITED
Unit 701, 7/F
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

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

Stock code
1389

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Major Holdings Limited (the "Company") and its Group (the "Group") of companies, it is my pleasure to present the Group's Annual Report 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)

BUSINESS ENVIRONMENT

According to the Report on Monthly Survey of Retail Sales March 2019 produced by the Hong Kong Census and Statistics Department, the year-on-year 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.

Based on the Group's experience, we strive to develop our product mix to different tier of customer levels, ensure our quality product portfolios can satisfy the customer needs. Although the market trends change constantly, our professional wine consultants can provide prompt knowledge and solution to our esteem customers, to suit their different tastes. The Group is confident to develop actively in the premium wine and spirit market.

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, business partners, suppliers and customers who remain faithful to and confident in the Group. I would also like to express my sincere gratitude to the management and staff for their commitment and contribution throughout the years.

Major Holdings Limited
Cheung Chun To
Chairman

Hong Kong, 21 June 2019

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.

Management Discussion and Analysis

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).

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	**4.45**	3.83

Management Discussion and Analysis

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 30 to the consolidated financial statements.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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).

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Management Discussion and Analysis

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 Sleigh, 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.

REPORT OF THE DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW AND PERFORMANCE

The review of the business of the Group for the year ended 31 March 2019 and the potential future development of the Group's business and the performance analysis using financial key performance indicators are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Report of the Directors", "Consolidated Financial Statements" and "Financial Summary" on page 2, pages 3 to 10, pages 11 to 19, pages 62 to 109 and page 110 respectively. Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report.

PARTICULARS OF IMPORTANT EVENTS

Save as disclosed in this annual report, since 31 March 2019, being the end of the financial year under review, no important event has occurred affecting the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly carries out its businesses in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong that have a significant impact on the Group during the year ended 31 March 2019.

ENVIRONMENTAL POLICY

The Group emphasizes the importance of energy conservation and environmental protection as part of its corporate culture and encourages its employees to minimize the use of paper by promoting digitalization of documents and better use of waste paper.

Report of the Directors

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes employees as valuable assets of the Group. In order to motivate the employees, the Group provides reasonable remuneration package, implements annual appraisal system, provides intra-group career development opportunities, offers good employee benefits, insurance, education and training sponsorship.

The Group treasures the long-term relationships developed with the customers and suppliers. The Group put high emphasis on efficient communication, response and feedback actions, which are crucial to build up the bridge with business partners. During the year ended 31 March 2019, there was no material dispute or argument between the Group and its business partners.

The Company has made substantial efforts to fulfill its corporate social responsibilities, by promoting sustainable growth within the Group and in the society. The Group is committed to providing a safe, healthy and enriching working environment for its employees. The Group hosted various after-work activities or sporting events for its employees during the year ended 31 March 2019 to promote the importance of work-life balance. The Group has attached importance to the promotion of anti-corruption and integrity promotion system. The Group emphasizes a code of conduct which forms part of the staff working manual. Employees are required to act with integrity and to report any suspected bribery cases. Whistle-blowing procedures are in place which allows direct reporting to the Audit Committee. In addition, employees are required to declare any conflict of interests when performing their duty.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

Report of the Directors

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2019. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

BANK BORROWINGS

The Company and its subsidiaries obtained banking facilities during the year. The bank borrowings as at 31 March 2019 amounted to approximately HK$13.5 million and the details are set out in note 26 to the consolidated financial statements. Save as disclosed herein, there is no other outstanding balance of bank loans and other borrowings as at 31 March 2019.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$158.4 million. The amount represents the Company's share premium, net of accumulated losses, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the year are set out as below:

During the year ended 31 March 2019, our largest supplier accounted for approximately 12.9% of our total purchases (2018: 23.3%). The aggregate purchases from our five largest suppliers contributed approximately 29.9% of our total purchases in the current year (2018: 35.5%).

During the year ended 31 March 2019, our largest customer accounted for approximately 4.7% of turnover (2018: 7.3%). The aggregate sales to our five largest customers contributed approximately 13.2% of our total sales in the current year (2018: 23.3%).

At no time during the year ended 31 March 2019 did a director, a close associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

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

Independent non-executive Directors
Mr. Yue Kwai Wa Ken
Mr. Ngai Hoi Ying
Mr. Siu Shing Tak

Pursuant to Article 84 of the Articles, at each general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring director shall be eligible for re-election.

Pursuant to the Articles, Ms. Cheung Wing Shun, and Mr. Ngai Hoi Ying shall retire from office as Directors at the forthcoming annual general meeting ("AGM") and, being eligible, offer themselves for re-election.

Biographical information of the Directors of the Company and the senior management of the Group are set out on pages 54 to 57.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the agreement.

Independent non-executive Directors are appointed for a term of one year and will continue thereafter unless terminated by either party giving at least one month's notice in writing.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

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.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Company, or any of its subsidiaries, and any of the controlling shareholders or any of their subsidiaries during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in note 12 to the consolidated financial statements in this annual report.

Report of the Directors

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remunerations of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

In order to protect the Group's interest in its business activities, each of the controlling shareholders of the Company has given a non-competition undertaking in favour of the Company, pursuant to which each of them undertakes and covenants with the Company that, for so long as he/it and/or his/its associates, directly or indirectly, whether individually or taken together, remains to be a controlling shareholder, he/it will not and will procure his/its associates not to directly or indirectly carry on, participate, engage or otherwise be interested in any business which is or may be in competition with the business of any members of the Group from time to time.

Details of the undertaking has been set out in the section headed "Relationship with Our Controlling Shareholders" of the prospectus of the Company dated 6 January 2014.

During the year ended 31 March 2019 and up to the date of this report, none of the Directors or any of their respective associates, has been engaged or otherwise interested in any business which is or may be in competition with the business of any members of the Group.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme disclosed in section head "Management Discussion and Analysis", during the year ended 31 March 2019, the Company has not entered into any equity-linked agreement (as defined in section 6 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)).

REPORT OF THE DIRECTORS

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, as at 31 March 2019, 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 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	26.42%
Mr. Cheung Chun To	Interest of spouse (Note 1)	11,140,000 shares	0.39%
Mr. Leung Chi Kin Joseph	Interest in controlled corporation (Note 2)	739,500,000 shares	25.68%

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.

Save as disclosed above, as at 31 March 2019, 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 pursuant to the Model Code of the Listing Rules.

REPORT OF THE DIRECTORS

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

As at 31 March 2019, so far as it were known to the Directors or chief executive of the Company, 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	26.42%
High State Investments Limited	Beneficial Owner (Note 2)	739,500,000 shares	25.68%
Ms. Lin Shuk Shuen	Interest of spouse and Beneficial Owner (Note 3)	772,140,000 shares	26.81%
Ms. Ma Pui Ying	Interest of spouse (Note 4)	739,500,000 shares	25.68%

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 and 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 31 March 2019, 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.

REPORT OF THE DIRECTORS

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 note 36 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.

AUDITOR

ZHONGHUI ANDA CPA Limited was appointed by the Directors as the auditor of the Company. ZHONGHUI ANDA CPA Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 March 2019 have been audited by ZHONGHUI ANDA CPA Limited.

The consolidated financial statements for each of the two years ended 31 March 2018 and 2019 were audited by ZHONGHUI ANDA CPA Limited.

By Order of the Board
Cheung Chun To
Chairman
21 June 2019

CORPORATE GOVERNANCE

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.

Corporate Governance

BOARD OF DIRECTORS

The Board comprises:

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

Independent non-executive Directors
Mr. Yue Kwai Wa Ken
Mr. Ngai Hoi Ying
Mr. Siu Shing Tak

The Board meets at least four times a year at approximately quarterly intervals and additional meetings will be convened as and when required. During the year ended 31 March 2019, a total of 5 Board meetings were held. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda, that are required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board meeting and three days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the Listing Rules, any Directors and their close associates (as defined in the Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings. The attendance record of each Director at the Board meetings is set out in the table below:

	Number of meetings attended	
Name of Director	**Board Meetings**	**General Meetings**
Mr. Cheung Chun To	5/5	1/1
Mr. Leung Chi Kin Joseph	5/5	1/1
Ms. Cheung Wing Shun	5/5	1/1
Mr. Yue Kwai Wa Ken	5/5	1/1
Mr. Ngai Hoi Ying	5/5	1/1
Mr. Siu Shing Tak	5/5	1/1

CORPORATE GOVERNANCE

RESPONSIBILITIES OF THE BOARD

The Board is responsible for overseeing and supervising the management of the business affairs and overall performance of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorizing the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The Board held meetings from time to time whenever necessary. At least 14 days notices of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

BOARD DIVERSITY POLICY

On 4 February 2019, the Board adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Cheung Chun To is the chairman of the Board who is primarily responsible for managing the Board. Mr. Cheung also chairs the Board meetings and briefs the Board members on the issue arising at the Board meetings. During the year, Mr. Leung Chi Kin Joseph assumed the position of chief executive officer primarily responsible for the day-to-day management of the Group's business.

The chairman of the Board held meetings at least annually with the non-executive Directors (including independent non-executive Directors) without other executive Directors present.

During the year ended 31 March 2019, all Directors attended the general meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "Articles") provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence and each of the independent non-executive Directors has provided an annual confirmation of his independency to the Company pursuant to Rule 3.13 of the Listing Rules and the Company considers these independent non-executive Directors to be independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the revised CG Code which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 March 2019, all Directors confirmed that they have complied with the CG Code.

Corporate Governance

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors during the year is summarised as follows:

Name of Directors	Type of trainings
Mr. Cheung Chun To	A, B
Mr. Leung Chi Kin Joseph	A, B
Ms. Cheung Wing Shun	A, B
Mr. Yue Kwai Wa Ken	A, B
Mr. Ngai Hoi Ying	A, B
Mr. Siu Shing Tak	A, B

A. attending seminars/conference forums/training courses

B. reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

AUDIT COMMITTEE

The major roles and functions of the audit committee of the Company (the "Audit Committee") are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment.

During the year, the Company adopted a whistleblowing policy in order to allow our employees or other stakeholders (e.g. suppliers and customers) of the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The Audit Committee currently comprise of the three independent non-executive Directors, namely Mr. Siu Shing Tak, Mr. Yue Kwai Wa Ken and Mr. Ngai Hoi Ying. Mr. Siu Shing Tak is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

CORPORATE GOVERNANCE

During the year ended 31 March 2019, two Audit Committee meetings were held. In the meetings during the year ended 31 March 2019, the Audit Committee has reviewed the consolidated audited annual results of the Group and the unaudited condensed consolidated interim results of the Group and reviewed the internal control system of the Group. The attendance record of each member of the Audit Committee for the meetings is set out as follows:

Name of members of the Audit Committee	Number of meetings attended
Mr. Siu Shing Tak (Chairman)	2/2
Mr. Yue Kwai Wa Ken	2/2
Mr. Ngai Hoi Ying	2/2

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 30 December 2013 comprising the three independent non-executive Directors, namely Mr. Yue Kwai Wa Ken, Mr. Siu Shing Tak and Mr. Ngai Hoi Ying. Mr. Yue Kwai Wa Ken is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange. The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive Directors, making recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 12 to the consolidated financial statements.

During the year ended 31 March 2019, the Remuneration Committee held one meeting and the Remuneration Committee has performed its duties to determine and make recommendations to the Board on the remuneration package of the Board members and senior management of the Company. The attendance record of each member of the Remuneration Committee for the meetings is set out as follows:

Name of members of the Remuneration Committee	Number of meetings attended
Mr. Yue Kwai Wa Ken	1/1
Mr. Siu Shing Tak	1/1
Mr. Ngai Hoi Ying	1/1

Corporate Governance

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 30 December 2013 comprising the three independent non-executive Directors, namely Mr. Ngai Hoi Ying, Mr. Yue Kwai Wa Ken and Mr. Siu Shing Tak. Mr. Ngai Hoi Ying is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executives. In considering the nomination of new Directors, the Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, culture, educational background, qualification, ability, leadership, professional ethics, skills and knowledge, especially their experience in the valuation and technical advisory services and/or other professional areas.

During the year ended 31 March 2019, the Nomination Committee held one meeting and the Nomination Committee has performed its duties to determine and make recommendation to the reappointment of the Directors and review the independence of the independent non-executive Directors. The attendance record of each member of the Nomination Committee for the meeting is set out as follows:

Name of members of the Nomination Committee	Meeting attended
Mr. Ngai Hoi Ying	1/1
Mr. Siu Shing Tak	1/1
Mr. Yue Kwai Wa Ken	1/1

Corporate Governance

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR THE ACCOUNTS

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted during the year ended 31 March 2019, no significant risk was identified.

Corporate Governance

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted during the year ended 31 March 2019, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Corporate Governance

Effectiveness of the Risk Management and Internal Control Systems
The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Audit Committee
The Board is responsible for overseeing the Group's internal control system and ensuring that a sound and effective internal control system is maintained. The Company has engaged professional staff with relevant expertise to conduct review and make recommendations for the improvement and strengthening of the internal control system. The professional staff with relevant expertise has reviewed the major internal controls and measures, including financial, operational and compliance as well as risk management and has made relevant recommendations for improvement of the internal control system to the Board. Any material non-compliance or failures in internal controls maintained by the Group and relevant recommendations for improvements are reported to the Audit Committee.

The Board has to be fully responsible for the stability and effectiveness of the systems of internal control and with management of the Group. It is also responsible for ensuring that recommendations made by the internal audit function and professional staff with relevant expertise are properly implemented. The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group.

The Audit Committee has kept under review the system of internal control. Based on review undertaken together with reports submitted by the management and professional staff with relevant expertise, the Audit Committee will provide the Board with advice on the adequacy of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, in order to ensure that an effective internal control system is put in place. During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

Role of Compliance Officer
Compliance officer is responsible to establish a formal mechanism for risk assessment and management and monitoring the effectiveness of the Company's internal control system and procedures and assessing the remediation status.

Corporate Governance

AUDITOR'S REMUNERATION

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors.

During the financial year ended 31 March 2019, the fees paid/payable to the Company's auditor are set out as follows:

Services rendered	Fees paid/ payable HK$'000
Audit services	430

During the financial year ended 31 March 2019, the fees paid/payable to the internal control consultant are set out as follows:

Services rendered	Fees paid/ payable HK$'000
Non-audit services	
Other services – Internal control	80

COMPANY SECRETARY

Mr. Sin Chi Keung was appointed as the Company Secretary of the Company and Chief Financial Officer of the Group on 26 April 2017. The biography of Mr. Sin is set out under the section headed "Biographical Details of Directors and Senior Management". Mr. Sin has day-to-day knowledge of the Company's affairs. As the Company Secretary, Mr. Sin supports the Board by ensuring board procedures and all applicable law, rules and regulations are followed. He is responsible for advising the Board on governance matters and facilitates induction and professional development of the Directors. The appointment and dismissal of the company secretary are subject to the Board approval in accordance with the Bye-Laws. Whilst the Company Secretary reports to the Chief Executive Officer on the Group's company secretarial and corporate governance matters, all Directors have access to the advice and services of the Company Secretary. Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training in the year under review.

CORPORATE GOVERNANCE

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Suite 822, Ocean Centre, Harbour City, 5 Canton Road, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

(a) At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

(b) At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

Corporate Governance

RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to info@majorcellar.com for the attention of the company secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. matters within the Board's purview to the executive Directors;

2. matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and consumer complaints, to the appropriate management of the Company.

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Company's Articles of Association, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 17.50(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.majorcellar.com.

For the year ended 31 March 2019, there had been no significant change in the Company's constitutional documents.

Environmental, Social and Governance Report 2018/19

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Major Holdings Limited (the "Company", together with its subsidiaries, the "Group", "We" or "Our") is engaged in the sale and distribution of premium wine and spirits products and wine accessory products in Hong Kong. The Group provides red wine, white wine, sparkling wine, champagne, wine accessory products, and other products. It offers products through its retail shops; and through a network of distributors, retail organizations, five-star hotels, and private clubs.

The Group is pleased to present the Environmental, Social and Governance Report (the "ESG Report") for the financial year ended 31 March 2019 (the "Year"). The ESG Report summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The Group believes sustainability is a key to achieve continuous success and has integrated this key concept into its business strategy. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating environmental, social and governance ("ESG") aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

The ESG Governance Structure

The Group conducts a top-down management approach regarding our ESG issues. The Board of Directors (the "Board") oversees and sets out ESG strategy for the Group. It is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

In order to have a systematic management of the Group's ESG issues, we have set up an ESG working taskforce (the "Taskforce") composed of staff from relevant departments during the Year. The Taskforce is responsible to collect relevant ESG data and compile the ESG Report. It would periodically report to the Board, assisting in the assessment and identification of the Group's ESG risk management, evaluation of the implementation and effectiveness of internal control system. It also reviews the Group's ESG performance, including environmental, labour practices and other ESG aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

SCOPE OF REPORTING

Unless specified otherwise, the ESG Report covers the Group's six operating segments, which are also reported in the Group's 2019 Annual Report, including the sale of red wine, white wine, sparkling wine, spirits, wine accessory products and other products. The ESG Report covers the Group's policies, compliance issues as well as environmental key performance indicators in two subject areas, namely, Environmental and Social of the above segments under the Group's operation from 1 April 2018 to 31 March 2019. We will continue to expand the scope of disclosure in the future after the Group's data collection system is more matured and the sustainable development work is enhanced.

REPORTING FRAMEWORK

This ESG Report covers the Group's business activities in trading premium wine and spirits products and wine accessory products in Hong Kong. The ESG key performance indicator ("KPI") data is gathered and included under the Group's direct operational control companies and subsidiaries. The Group will extend the scope of disclosures when and where applicable. The KPIs are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2019.

STAKEHOLDER ENGAGEMENT

The preparation of the ESG Report, which was supported by employees across various departments of the Group, enables the Group to have a better understanding of its current environmental and social development. The information the ESG Report gathered is not only a summary of the environmental and social initiatives carried out by the Group during the Year, but also forms the basis for the Group to map out short and long-term strategies for sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

We take stakeholders' expectations and concerns into consideration in formulating our businesses and ESG strategies by utilising diversified engagement methods and communication channels, shown as below.

Stakeholders	Expectations and Concerns	Communication Channel
Investors or Shareholders	• Return on investment • Corporate governance • Business compliance	• Annual Report • Interim Report • Circular • Announcement and Notice
Employees	• Employees' compensation and benefits • Career development • Health and safety environment	• Trainings, Seminars and Briefing Sessions • Regular Performance Reviews
Customers	• High quality products and services • Protect the rights of customers • After-sales customer services	• Sales and marketing team (introduction of wine appreciation) • Customer support hotline and email
Suppliers and distributors	• Fair and open procurement	• Supplier management meetings • Trainings

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

We have considered feedback from the relevant stakeholders in determining the Group's material ESG aspects to be covered in this ESG Report. These are shown in the table below, together with the aspects of the ESG Reporting Guide to which they relate:

Waste management	Paper management	Indoor air quality
Recruitment and dismissal	Remuneration	Welfare and benefits
Career promotion	Diversity, equal opportunity, anti-discrimination	Training programmes
Anti-corruption	Protection of whistle-blower	Community participation
Raising awareness of employees	Quality assurance	Customer service

As at the year ended 31 March 2019, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG report or our performances in sustainable development by email: www.majorcellar.com.

Major Key Performance Indicators

Environmental Indicators	2019
Greenhouse Gases ("GHG")	
Total GHG Emission (tonnes CO_2e)	95.81
Total GHG Emission per Employee (tonnes CO_2e/employee)	1.92
Wastes	
Total Non-hazardous Waste (tonnes)	0.08
Total Non-hazardous Waste per Employee (tonnes/employee)	0.002
Total Hazardous Waste (piece)	4
Total Hazardous Waste per Employee (piece/employee)	0.08
Energy Consumption	
Total Energy Consumption (MWh)	172.45
Total Energy Consumption per Employee (MWh/employee)	3.45
Packaging Material	
Total Packaging Material Consumption (kg)	520
Total Packaging Material Consumption per Bottle of Product (kg/bottle)	0.01

Remarks:

1. The number of employees was 50 which includes 41 staff from Major Cellar and 9 staff from Wine Cave as at 31 March 2019.

2. The number of bottles of product sold in the Year was 41,318.

3. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of Hong Kong Electricity and CLP, "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

We recognise our responsibilities towards the potential direct and indirect negative environmental impacts associated with our business operations.

By integrating environmental consideration into our decision making processes, we embrace our responsibilities to create an environmentally sustainable business. This is achieved through innovating and implementing measures that promote energy consumption, waste reduction and any other green initiatives across the life cycle of our products and services. We are also committed to educating our employees to raise their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In order to enhance our environmental governance practice and mitigate the environmental impact produced by the Group's operations, we have adopted and implemented relevant environmental policies and have communicated such policies to our employees. These policies apply the waste management principles of "reduce", "reuse", "recycle" and "replace" as well as emission mitigation principle, with an objective of minimizing the adverse environmental impacts and ensure the waste disposal or emission generated is conducted in an environmentally responsible manner.

In the long run, the Group will enhance its energy saving management in minimizing the usage of lighting, air conditioning and electronic appliances and track its energy consumption regularly in the coming Years.

Within our policy framework, we continually look for different opportunities to pursue environmental friendly initiatives, enhance our environmental performance by reducing energy and use of other resources.

During the Year, the Group did not have any violation of relevant local environmental laws and regulations including but not limited to "Environmental Protection and Management Ordinance", "Environmental Public Health Ordinance", and "Environmental Public Health (General Waste Collection) Regulations" in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

Environmental, Social and Governance Report 2018/19

Exhaust Gas and GHG Emissions

Exhaust Gas Emissions

Our major sources of exhaust gas emissions are combustion of diesel from vehicles. We have set up a monitoring system for diesel consumption on site to track the amount of diesel consumed. Causes of unexpected high amount of diesel consumption will be examined. Other measures to mitigate exhaust gas emission for vehicles are mentioned in the following section on "GHG Emissions".

GHG Emissions

The principal GHG emissions of the Group are generated from the diesel consumed by vehicles (Scope 1) and purchased electricity (Scope 2). The Group actively adopts electricity conservation and energy saving measures as well as other measures to reduce GHG emissions, including:

- Actively adopt measures for environmental protection, energy conservation, and water saving. Relevant measures are described in "Energy Management" and "Water Consumption" under Section A2; and

- Actively adopt paper saving measures in offices. The relevant measures are described in the section "Waste Management" in this chapter.

Waste Management

Hazardous waste handling method

Despite the Group had generated limited hazardous wastes during the Year, the Group has established guidelines of governing the management and disposal of hazardous wastes. When there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, which is complied with the relevant environmental regulations and rules.

Non-hazardous waste handling method

The Group's relevant environmental policy emphasis carbon reduction and waste reduction with the principle of "Reduce, Reuse, Recycle and Replace" to promote better utilization of environmental resources. The Group is committed to promoting an environmental-friendly mindset among its employees.

With the aim of minimizing the environmental impact of generating non-hazardous wastes from its business operations, the Group has implemented measures to handle such wastes and launched different reduction initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Our staff and the assigned administrative staff in the workplace collectively take the responsibilities for the waste management in our retail showrooms, offices and warehouses (including Major's and Wine Cave's), in reference to the established environmental policies, including but not limited to the following:

- Utilize electronic communication where applicable such as e-leave system, e-cards for festival greetings, medical e-claims and e-brochures for distributing to customers;
- Promote upcycling, recycling and the use of recycled paper and toner or environmental friendly materials;
- Reduce the number of printings of the financial reports;
- Use of high performance and quality of all-in-one "multi-function printers" that incorporate printer, scanner and copier functions into single device. This can be shared among different departments in order to reduce the total number of different kinds of devices so as to minimize power consumption and carbon footprint as well as maintenance follow up;
- Redeploy office furniture within the Group where possible to reduce the amount of material going to landfill;
- Redeploy computer and notebook within the Group where possible;
- Minimize waste wherever feasible; and
- Sort recycled waste into appropriate receptacles, educating employees on sorting methods if needed.

Through the above waste reduction measures, the employees' awareness of waste reduction has been increased.

Utensil Management

For the purpose of waste reduction, the Group advocates the use of reusable stationeries and cutleries, and evaluates their consumption at times to avoid overstock.

Environmental, Social and Governance Report 2018/19

A2. Use of Resources

General Disclosure and KPIs

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

During the operations, fuel, electricity and water are frequently consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of materials.

Energy Management

The Group aims to minimize environmental impacts in our operations by identifying and adopting appropriate measures in our operations. Related policies and initiatives on energy conservation have been developed to show our concern on energy efficiency. All employees must implement the adopted policies and measures in resource utilization. Regular review is conducted on our energy objectives and targets to seek continuous improvement in the Group's energy performance.

- Utilizing light-emitting diode ("LED") lights;
- Separating indoor areas into different light zones with independent switches;
- Improving the work efficiencies of air conditioners by cleaning the filters and fans regularly;
- Reminding employees to switch off printers during non-working hours
- Setting computers to automatic sleeping mode when idle; and
- Wearing casual clothes in hot weather so as to reduce the use of air conditioners.

As a result, the employees' awareness of energy conservation has been increased through these energy-saving measures.

Water Consumption

As the Group's offices and warehouses are located in leased office premises where both water supply and discharge are solely controlled by property owner or building management, hence, data of water consumption, GHG emission due to water and sewage treatment is unable to be obtained and calculated.

Due to our business nature, we do not have issues in sourcing water that is fit for purpose.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Use of Packaging Material

When packaging the wine and spirits products, employees are instructed to use only an appropriate amount of packaging material so as to avoid over packaging and hence reduce the use of packaging materials.

The Group does not consume significant amounts of packaging materials for product packaging as it has no industrial production or any factory facilities.

A3. The Environment and Natural Resources

General Disclosure and KPIs

Although the core business of the Group has remote impact on the environment and natural resources, as an ongoing commitment to good corporate social responsibility, we recognize the responsibility in minimizing the negative environmental impact of our business operations, in order to achieve sustainable development for generating long-term values to our stakeholders and the community as a whole.

The Group works tirelessly to mitigate the environmental impact of its activities through adopting industry best practices targeted at reducing natural resources consumption and effective emission management. We regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

Indoor Air Quality

Indoor air quality in our workplace is regularly monitored and measured. By adopting air purifying equipment in the workplace as well as conducting regular cleaning of air conditioning system, these measures resulted in maintaining indoor air quality and filtering out pollutants, contaminants and dust particles.

Sustainable Operation

Measures aiming at minimizing paper consumption are also implemented, which include using paper on both sides, replacing paper-based office administration system with the Office Automation ("OA") system, installing the Electronic Point of Sale ("EPOS") system to monitor the level of inventories electronically, employing electronic communication, and so on. For the purpose of waste reduction, the Group advocates the use of reusable stationeries and recyclable cutleries, and evaluates their consumption at times to avoid overstock.

Paper Management

Measures to minimize paper consumption are also implemented, which include implementing double sided printing, replacing paper-based office administration system with the OA system, installing the EPOS system to monitor the level of inventories electronically, employing electronic communication, and so on.

Environmental, Social and Governance Report 2018/19

B. SOCIAL

B1. Employment

General Disclosure

The Group persists in providing employees with equal opportunities in all matters and strives to ensure that employees are treated fairly regardless of their sex, marital status, pregnancy, disability, family or race. Employment policies and procedures are all in strict compliance with the "Employment Ordinance" as well as the laws and regulations on anti-discrimination.

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations in that would have a significant impact on the Group.

Recruitment and Dismissal

Recruitment is carried out based on job requirements together with an applicant's competence, qualification and experience. To prevent the employment of child labour, the candidates' identification documents are all carefully verified to ensure their legal entitlement to work. The Group considers employee diversity as a valuable asset for maintaining its competitive advantages in the industry and therefore embraces diverse workforce in terms of age, cultural background, race and other aspects. For departing employees, an exit interview and analysis will be conducted to identify the reason of leaving.

Remuneration

Employee's remuneration package, including basic salary, discretionary bonuses, sales commission and medical insurance, is determined in light of his or her qualification, position and seniority. To ensure the level of remuneration remains competitive, the Group conducts annual assessment on remuneration package with the adjustment range subjects to each employee's performance, efficiency, behavior and discipline, degree of loyalty and contribution to the Group for the Year, together with the Group's financial situation and changes of market wage.

Welfare and Benefits

In line with the "Employment Ordinance", employees are entitled to at least one day off per week and public holidays. Employees are also eligible for annual leave, maternity leave, marriage leave, paternity leave, sick leave, compassionate leave, special leave and jury service leave. The normal working hours for employees are eight hours per day. Shift work and different working hours systems may apply depending on the job nature and arrangement of the department.

In accordance with the "Mandatory Provident Fund Schemes Ordinance" and relevant laws and regulations, the Group provides employees with the Mandatory Provident Fund ("MPF") Schemes and medical care. Compensation for work-related injuries is also available to comply with the "Employees' Compensation Ordinance".

Environmental, Social and Governance Report 2018/19

Career Promotion

The promotion of the Group's employees is subject to review regularly. In case of a vacancy in higher positions, priority is given to internal promotion of employees based on determinants like their performance, education background, ability, conduct and attendance record.

Diversity, Equal Opportunity and Anti-discrimination

As an equal opportunity employer, we recognise the value of a diverse and skilled workforce and are committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive.

We are dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation.

The Group's equal opportunities code specified under the Staff Handbook allows zero tolerance to any workplace discrimination, harassment or victimization in accordance to relevant government legislation, ordinances and regulations. Employees are encouraged to report any incidents involving discrimination to the Audit Committee of the Board of the Group. We strive to ensure that complaints, grievances and concerns, including whistle blowing, are dealt with promptly and confidentially.

B2. Health and Safety

General Disclosure

We are committed to providing and maintaining a safe and healthy environment for all our employees, contractors, customers and others who visit or work on our premises and preventing work-related accidents, injuries and illnesses. We believe that employees are the valuable assets of an enterprise and regard human resources as our corporate wealth. The Group has established a section of health and safety under Staff Handbook on the prevention and remediation of safety accidents in workplace, to maintain a safe working environment. We review, and if necessary revise, this section and our health and safety practices at least annually to ensure continuous improvements of our health and safety standards.

The Group follows the occupational health and safety guidelines recommended by Labour Department and Occupational Safety and Health Council, and regularly encourages employees to attend related workshops or training courses. Human Resources and Administration Department also take responsibilities for offices' occupational health and safety and relevant promotions and monitoring.

Different sets of safety manuals covering fire prevention, safety knowledge and handling procedures of accidents in workplace have been formulated for the retail showrooms, offices and warehouses (including Major's and Wine Cave), to maintain and ensure a safe working environment for employees.

Environmental, Social and Governance Report 2018/19

During the Year, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not limited to including but not limited to "Workplace Safety and Health Ordinance" in that would have a significant impact on the Group.

Occupational Health and Safety Training

The managers of different workplaces are responsible to provide new employees with trainings on fire prevention and safety induction on the first working day. For specific posts (such as electricians), employees are required to acquire qualification certificates prior to employment. To reduce injuries and health problems caused by cargo handling and prolonged use of computers, detailed guidelines and safety notes are delivered to employees for their reference.

B3. Development and Training

General Disclosure

The Group regards its staff as the most important asset and resource. We recognise the valuable contribution our talents make to the continued success of the Group. We are committed to inspiring our human capital towards delivering excellence. This is achieved through development of training strategies that focus on creating value and serving the needs of our customers, our talents and the society.

Training Programmes

The Group is committed to enhancing employees' industry, technical and product knowledge as well as their understanding of work safety standards through the provision of induction programs and continuous professional trainings. To maintain a high quality of service to customers, the Group not only attaches importance to the training of its wine consultants, but also arranges training sessions with suppliers to further enhance employees' knowledge on selection of wine and spirits products. For employees in different positions, such as logistics, procurement and clerical, different trainings are also arranged to improve their working efficiency and performance.

Furthermore, the Group has set up an education program to subsidize employees to take courses related to their work organized by various institutions and professional organizations. The management will assess the relativity of the course to the employee's work to determine the amount of subsidy accordingly. Employees can also apply for allowance to obtain qualification certificates on relevant skills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

B4. Labour Standards

General Disclosure

Prevention of Child Labour and Forced Labour

The Group rigorously prohibits the employment of child and forced labour during the recruitment process as defined by laws and regulations. We strictly comply with local laws and conducts recruitment based on the "Employment Ordinance". Personal data are collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department also ensures identity documents are carefully checked. If violation is involved, it will be dealt with in the light of the circumstances as clearly stated in the Group's Staff Handbook.

During the Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations including but not limited to "Employment Ordinance" that would have a significant impact on the Group.

B5. Supply Chain Management

General Disclosure

Supply Chain Management Structure

With supply chain management being a core procedure for quality control, the Group has established strict guidelines in the selection of suppliers, including background assessment on new suppliers. Suppliers of wine and spirits products are selected based on their reputations and industry recognitions for product quality and supply reliability, operation history, business size, delivery performance, products portfolio, stock inventories, market demand of the products. Generally, a product procured from supplier is not only subject to the applicable laws and standards of its country of origin, but also certification issued by the country's wine association. A meeting with suppliers is held every Year, which facilitates the Group's understanding of their supplies. Furthermore, the EPOS system further enables the Group to track the sources of products.

When selecting suppliers for other products such as packaging materials for the wine and spirits products, the Group takes into account their distance from the Group to reduce carbon footprint produced due to the transportation of these products. During the Year, all suppliers of packaging materials and other appliances are located within Hong Kong.

Environmental and Social Responsibility of Suppliers

In view of the increasing environmental concerns in society, the Group is aware of the importances in managing environmental and social risks of its supply chain. The Group has embedded environmental and social consideration in the procurement process and supplier communication. The Group will continue to monitor its supply chain regarding the environmental and social standards.

During the Year, the Group was not aware of any key suppliers that had any actions or practices which have a significant negative impact on business ethics, environmental protection, human rights and labour practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Fair and Open Procurement

We have also formed rules to ensure that the suppliers could participate in competitions in an open and fair way. The Group should not have differentiated or discriminated treatment on certain suppliers; it would strictly monitor and prevent all kinds of business bribery; and employees or personnel having any interest relationship with the supplier should not be involved in the related business activity.

B6. Product Responsibility

General Disclosure

The satisfaction of our customers is the cornerstone of the sustainable development of the Group. We are convinced that the success of our clients means the success of our Group, and have been emphasizing the customer-centric business philosophy in our operation at all levels of the Group. Therefore, we strive to optimize and improve the quality of products and services according to the requests of the customers.

During the Year, we were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Quality Assurance

The Group has engaged independent third-party logistics company of good reputation and have rich experience in the shipment of wine and spirits products to pick up and deliver the products procured from suppliers to the warehouse. During the transportation process, the products are stored in temperature-controlled containers.

Upon the arrival of the wine and spirits products in the warehouse, the Group's logistics team will conduct careful inspection by examining the products' labeling, wine level, sealing and overall packaging. In order to ascertain the authenticity of a suspected product, a wine inspector who has solid wine knowledge and academic background will examine the product, including but not limited to the wooden case, exterior design, carving, label, capsule and special design on the bottle. In the event that a product is found defective after quality control inspection, the Group's purchasing team will liaise with the corresponding suppliers and inform them of such defects with supporting photograph images, and subsequently arrange for return of the defective product.

To ensure the inventories are free from contamination and properly stored, the temperature and relative humidity level of the warehouses are strictly controlled at 17 to 19 degree Celsius and 55% to 70%, respectively. The Group's warehouses and logistics team monitor and record the storage conditions of the warehouses on a daily basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Customer Privacy Protection

Newly-recruited employees are required to sign a confidentiality agreement which contains the Group's requirements for privacy protection and non-competition clause. It is also explicitly stipulated in the Staff Handbook that when authorized to deal with the Group's information, employees shall take security measures so as to avoid abuse, misuse or loss of such information. Without the written approval of the management, employees are not allowed to disclose any information regarding the Group's business, finance trade and other aspects to third parties.

Customer Service

Customer service has always been a major focus for the Group to achieve continuous development. In order to enhance customers' overall shopping experience, the Group provides complimentary wine appreciation consultation services and wine storage consultation services as part of its after-sales customer services.

The Group's sales and marketing team consists of 14 wine consultants, most of whom possess certificates ranging from Level 1 Award in wine (foundation certificate) to Level 3 Award in wine and spirits (advanced certificate) awarded by the Wine and Spirit Trade Association (WSET). After the conclusion of a transaction, the sales and marketing team will give customers brief introduction and guidance of wine appreciation (such as breathing time and storage requirements) to enable the full enjoyment of their purchases, minimize the risk of damage due to improper storage and reduce the possibility of returning products.

The Group has also formulated a complaint handling policy. All of the complaints lodged by customers will be handled in a timely and courteous manner. Once appropriate remedial actions have been determined, a member of sales and marketing team will follow up with the relevant customer in respect of remedial arrangements, including arranging for refund of the product in dispute.

Advertisement and Labelling

The Group has launched various publicity campaigns such as advertising in magazines, organizing wine tasting events, and participating in wine and spirits fairs and other promotional activities to boost sales of its products as well as strengthen relationships with customers. Brochures and promotional leaflets are also distributed to customers at times for promoting the Group's corporate image and brand. It is the Group's commitment to ensure the compliance of its advertisement and promotional strategies with the "Trade Description Ordinance" and other relevant laws and regulations. False, misleading or incomplete information and misstatements with respect to products are all strictly prohibited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

B7. Anti-corruption

General Disclosure

The Group does not tolerate any corruptions, frauds and all other behaviours violating work ethics. The Group values and upholds integrity, honesty and fairness in how it conducts business.

During the Year, the Group did not notify any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the "Prevention of Corruption Ordinance".

Anti-corruption

With the recognition of the importance of a corruption-free business operation, the Group strictly observes the "Prevention of Bribery Ordinance" and other provisions. As stated in the disciplinary code under the Staff Handbook, employees are forbidden to solicit or accept any benefits, gifts and hospitality from customers, suppliers and other third parties engaged in business operations with the Group. Taking advantage of one's position and power to commit crimes is also unequivocally prohibited and will be severely punished. Employees also have the responsibilities to avoid any conflict of interest between the Group and their family, relatives, or friends.

During the Year, there was no occurrence of corruption, bribery or any other form of non-compliance within the Group.

Protection of Whistle-blower

In order to further achieve and maintain the highest standards of openness, probity and accountability, the Group has also implemented a whistleblowing policy. This policy allows all employees of the Group as well as independent third parties (e.g. customers and suppliers or distributors) who deal with any employees to report any possible improprieties, misconducts, malpractices or irregularities in matters of financial reporting, internal control or other matters to the Audit Committee of the Board or the anonymously. Reports and complaints received will be handled in a prompt and fair manner. In some cases, the group might need to refer the case to the competent authorities. Such policy also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions, the identity of the whistle-blower will be kept confidential where possible. Any person who is found to have victimised or retaliated against those who have raised concerns under this policy will be subjected to disciplinary sanctions.

B8. Community Investment

General Disclosure

The Group is committed to emboldening and supporting the public by the means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizen in the daily work life throughout the Group. We aim to promote the stability of the society, and support underprivileged on rehabilitation to improve the quality of life. We also focus to inspire our employees towards social welfare concerns. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.

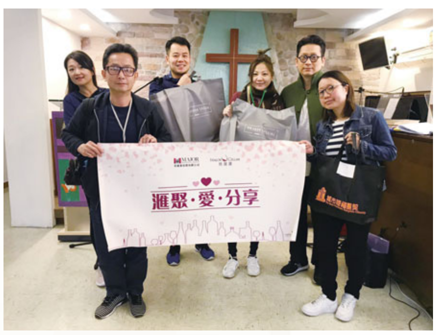
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Community Participation

We participated in community activities, for example, donations, volunteering services and carnivals etc launched by Caring Company, which namely "新界區賣旗日義工招募" and "「葵手共建立涌滿愛社區」嘉年華". With the active participation in community events to help the needy, we also regularly communicate with local charities to understand the community's needs. We believe it helps to connect us with the local community, and maintain a mutually beneficial relationship to the society as a whole.

Raising Awareness of Employees

Our employees are encouraged to donate to recognized charitable institutions in order to help grass-roots community or those in need, such as the "Partnership Fund for the Disadvantaged (the 11th)" of the Social Welfare Department, so that they can gain education and care. We also encourage our employees to suggest areas of community contribution based on their personal experiences in the community.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Exhaust Gas and GHG Emissions
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – Exhaust Gas and GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions – Exhaust Gas and GHG Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Management
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Indoor Air Quality, Sustainable Operation, Paper Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment – Recruitment and Dismissal, Remuneration, Welfare and Benefits, Career Promotion, Diversity, Equal Opportunity and Anti-discrimination
Aspect B2: Health and Safety		
General Disclosure	Information on: (c) the policies; and (d) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety – Occupational Health and Safety Training
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training – Training Programmes
Aspect B4: Labour Standards		
General Disclosure	Information on: (e) the policies; and (f) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards – Prevention of Child and Forced Labour

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018/19

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management – Supply Chain Management Structure, Environmental and Social Responsibility of Suppliers, Fair and Open Procurement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (g) the policies; and (h) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility – Quality Assurance, Customer Privacy Protection, Customer Service, Advertisement and Labelling
Aspect B7: Anti-corruption		
General Disclosure	Information on: (i) the policies; and (j) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption – Anti-corruption, Protection of Whistle-blower
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment – Community Participation, Raising Awareness of Employees

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheung Chun To (張俊濤), aged 40, our chairman and an Executive Director, was appointed to the Board on 2 April 2013. Mr. Cheung is the brother of Mr. Cheung Chun Pang (a former executive Director) and Ms. Cheung Wing Shun (an executive Director). Mr. Cheung is primarily responsible for overseeing and managing the overall operation of our Group, planning and executing the overall corporate strategies and developing and handling external relationship for our Group. Mr. Cheung graduated from Wilfrid Laurier University, Canada in June 2001, with a bachelor's degree in arts. From July 2001 to July 2002, Mr. Cheung worked at a property agency as a sales representative in Shanghai. From July 2002 to February 2005, Mr. Cheung worked at Hang Shing Jewellery Company Limited as a management trainee, responsible for liaising with suppliers, meeting clients, implementing sales and marketing campaigns and conducting market research. From March 2005 to December 2008, Mr. Cheung worked at Shenzhen Henglong Electronic Company Limited (深圳市恆隆電子有限公司), responsible for leading and managing the sales team. In June 2008, Mr. Cheung became the shareholder of Rouge & Blanc Wines Limited ("Rouge & Blanc"). In September 2009, Mr. Cheung and Mr. Leung together founded Major Cellar Company Limited ("Major Cellar") and Mr. Cheung has been appointed a director of Major Cellar since November 2009.

Mr. Leung Chi Kin Joseph (梁子健), aged 40, an Executive Director, was appointed to the Board on 2 April 2013. Mr. Leung is primarily responsible for sourcing and pricing wines and spirits products for our Group, expanding product range, establishing and maintaining relationship with wine agents and vineyards and overseeing the overall sales operation. Mr. Leung graduated from York University, Canada in November 2002, with a bachelor's degree in business administration. From December 2002 to 2007, Mr. Leung worked at Gi-Go Toys Factory Limited initially as a management trainee and thereafter as a sales manager responsible for promotional campaigns and sales budget. In December 2007, Mr. Leung began the business of distributing and selling wines by establishing Rouge & Blanc and was appointed a director at around the same time. In September 2009, Mr. Cheung and Mr. Leung together founded Major Cellar and Mr. Leung has been appointed a director of Major Cellar since the day of its incorporation.

Biographical Details of Directors and Senior Management

Ms. Cheung Wing Shun (張詠純 former name, 張泳純), aged 38, an Executive Director and also the compliance officer, was appointed to the Board on 30 December 2013. Ms. Cheung Wing Shun is the sister of Mr. Cheung and Mr. Cheung Chun Pang. Ms. Cheung Wing Shun is responsible for the overall internal operation and marketing promotion of our Group. Ms. Cheung Wing Shun graduated from University of Western Ontario, Canada in June 2003, with a bachelor's degree in arts. Ms. Cheung Wing Shun also obtained a diploma in "SME Company Operations & Management" from the Hong Kong Productivity Council in June 2011 and the WSET level 2 intermediate certificate in 2010. From 2004 to 2006, Ms. Cheung Wing Shun worked at the Hong Kong Trade Development Council as a project assistant; her main responsibilities included organising events and exhibitions. From 2007 to 2009, Ms. Cheung Wing Shun worked at Gate Worldwide Limited as an account executive. In July 2009, Ms. Cheung Wing Shun joined Rouge & Blanc as a senior operation officer and in December 2010, she became an assistant to the directors of Major Cellar, responsible for assisting the directors in the daily management of Major Cellar. In particular, Ms. Cheung Wing Shun had assisted in the change of the POS system for Major Cellar and implemented a series of policies to streamline the Group's operation and management. Ms. Cheung was appointed as a director of Major Cellar since December 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ngai Hoi Ying (魏海鷹), aged 62, an Independent Non-Executive Director, was appointed to the Board on 30 December 2013. Mr. Ngai obtained an executive master in business administration from Tsinghua University, PRC in June 2011. Mr. Ngai is currently the president of Global World Investment (Group) Limited (寰宇投資（集團）有限公司) and the legal representative of Zhongshan City Golden Sun Aluminum Limited (中山市金日鋁業有限公司). He is also currently the honorary chairman of Federation of Hong Kong Chiu Chow Community Organization, the chairman of International Teochew Association of Zhongshan (中山潮人海外聯誼會) and the vice chairman of Tsinghua University EMBA Alumni Association of Hong Kong and Macau (清華大學EMBA港澳同學會). Mr. Ngai was a member of the 10th and 11th National Committee of the Chinese People's Political Consultative Conference of the Guangdong Province, PRC. He was also appointed the honorary president of the Central District Junior Police Call in 2009. During the years 2014-2019, he was also appointed as Central Advisory Board Member of the Senior Police Call Central Advisory Board.

Biographical Details of Directors and Senior Management

Mr. Yue Kwai Wa Ken (余季華), aged 53, has been appointed as an Independent Non-Executive Director of the Company since 30 December 2013. Mr. Yue has approximately 24 years of experience in accounting, finance and valuation. Mr. Yue obtained a Diploma of Technology in Financial Management Accounting Option from the British Columbia Institute of Technology in Canada in June 1989. Mr. Yue also obtained a bachelor degree of science from Upper Iowa University of the United States in March 2005. Mr. Yue has been admitted as a member of the American Institute of Certificate Public Accountants in October 2005, a member of the Chartered Global Management Accountant in 2012 and a fellow member of the Colorado Society of Certified Public Accountants in September 2005. Mr. Yue has been appointed as an executive director of Roma Group Limited ("Roma Group"), a company listed on the GEM of the Stock Exchange (Stock code: 8072), since 18 March 2011 and company secretary and compliance officer of Roma Group since 26 September 2011. Also, Mr. Yue has been redesignated as the chief executive officer of Roma Group since 1 October 2017 and appointed as the chairman of Roma Group since 18 December 2017. Mr. Yue has been appointed as an independent non-executive director of China Starch Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 3838), since 5 September 2007 and has been appointed as an independent non-executive director of Manfield Chemical Holdings Limited, a company listed on the Stock Exchange (Stock code: 1561) since 6 November 2015. Mr. Yue was the executive director of Legend Strategy International Holdings Group Company Limited, a company listed on the Stock Exchange (Stock code: 1355) from 4 July 2014 to 18 November 2014.

Mr. Siu Shing Tak (蕭承德), aged 35, graduated from Walter A. Haas School of Business of the University of California, Berkeley, with a Bachelor degree in Science in Business Administration. He is a certified public accountant of Hong Kong Institute of Certified Public Accountant. He has over ten years of experience in accounting, auditing and internal control. He held various senior management positions in United States and Hong Kong listed companies, in which he was responsible for the internal audit and daily financial operation and assist in their transactions and compliance with the applicable rules and regulations. He also worked in PriceWaterhouseCoopers in both United States and Hong Kong offices during which he engaged in auditing work of listed companies and initial public offering projects.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Ho Sau Wan Ada (何秀雲), aged 52, is the shipping supervisor of our Group. Ms. Ho joined our Group on 2 July 2009 and is responsible for supervising shipping matters and carrying out inspection of goods. From May 1985 to April 1988, Ms. Ho worked at Kwun Wah Flower & Plant Manufactory Limited; her last position was a senior shipping clerk. From October 1990 to February 1994, Ms. Ho worked at Maersk Hong Kong Limited as a customer service representative. From February 1994 to September 2006, Ms. Ho worked at Bezalel Advertising Premiums Company as an assistant to director. From September 2006 to June 2009, Ms. Ho worked at Gartner Studio International Limited as a human resources manager.

Mr. Ma Min To (馬棉濤), aged 37, is the warehouse supervisor of our Group. Mr. Ma joined our Group on 4 October 2010 and is responsible for supervising logistic matters and the daily operation of the warehouse. From 2003 to 2010, Mr. Ma worked at Marathon Sports; his last position was a shop supervisor.

COMPANY SECRETARY

Mr. Sin Chi Keung (冼志強), aged 57, is the Company Secretary of the Company and the Chief Financial Officer of the Group since 26 April 2017. Mr. Sin is a fellow member with the Hong Kong Institute of Certified Public Accountants and holds a Master degree in Business Administration from the Oklahoma City University USA. Mr. Sin worked with an international accounting firm in auditing and has held various senior positions with listed and private companies in Hong Kong and China. Mr. Sin has more than twenty years of experience in financial management, corporate finance and merger and acquisition.

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF MAJOR HOLDINGS LIMITED
美捷滙控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Major Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 109, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

INVENTORIES

Refer to note 20 to the consolidated financial statements
The Group tested the amount of inventories for impairment. This impairment test is significant to our audit because the balance of inventories of HK$88,228,000 as at 31 March 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on ordering and holding of inventories;
- Evaluating the Group's impairment assessment;
- Assessing the marketability of the inventories;
- Assessing the ageing of the inventories;
- Assessing the net realisable values of the inventories; and
- Checking subsequent sales of the inventories.

We consider that the Group's impairment test for inventories is supported by the available evidence.

TRADE RECEIVABLES

Refer to note 21 to the consolidated financial statements
The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK$12,984,000 as at 31 March 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;

Independent Auditor's Report

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers;

– Checking subsequent settlements from the customers; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084
Hong Kong, 21 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6	**170,980**	217,226
Cost of sales		**(134,464)**	(173,530)
Gross profit		**36,516**	43,696
Interest revenue		**16**	12
Other income	7	**1,594**	957
Other gains and losses, net	8	**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	9	**(1,142)**	(1,046)
(Loss)/profit before tax		**(796)**	8,546
Income tax expense	10	**(197)**	(1,904)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	11	**(993)**	6,642
(Loss)/earnings per share	14		
– Basic and diluted (cents)		**(0.04)**	0.28

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**19,904**	12,953
Goodwill	16	**2,254**	–
Intangible assets	17	**900**	–
Derivative financial instrument	18	**300**	–
Deposits	22	**632**	1,878
		23,990	14,831
Current assets			
Inventories	20	**88,228**	81,057
Trade receivables	21	**12,984**	14,215
Prepayments, deposits and other receivables	22	**37,305**	9,689
Current tax assets		**361**	658
Pledged bank deposits	23	**4,534**	3,018
Bank and cash balances	23	**8,877**	19,355
		152,289	127,992
Current liabilities			
Trade payables	24	**3,388**	2,857
Contract liabilities	25	**4,004**	3,644
Other payables and deposits received		**6,401**	2,137
Bank borrowings	26	**13,506**	22,939
Due to a director	27	**5,000**	–
Finance lease payables	28	**1,953**	1,842
		34,252	33,419
Net current assets		**118,037**	94,573
Total assets less current liabilities		**142,027**	109,404

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Finance lease payables	28	**2,240**	4,193
Deferred tax liabilities	29	**906**	857
		3,146	5,050
NET ASSETS		**138,881**	104,354
Capital and reserves			
Share capital	30	**3,600**	3,000
Reserves	32	**135,281**	101,354
TOTAL EQUITY		**138,881**	104,354

The consolidated financial statements on pages 62 to 109 were approved and authorised for issue by the board of directors on 21 June 2019 and signed on its behalf by:

Cheung Chun To
Director

Leung Chi Kin Joseph
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Retained profits HK$'000	Total HK$'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 (notes 30 and 33(a))	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.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(796)**	8,546
Adjustments for:			
Finance costs		**1,142**	1,046
Interest revenue		**(16)**	(12)
Depreciation		**2,905**	1,914
(Reversal of)/allowance for inventories		**(924)**	663
Reversal of impairment loss on trade deposits paid		**(249)**	–
Write off of intangible assets		**–**	463
Impairment loss on other receivables		**–**	639
Operating profit before working capital change		**2,062**	13,259
Change in inventories		**15,713**	(5,126)
Change in trade receivables		**1,856**	1,679
Change in prepayments, deposits and other receivables		**(9,948)**	83
Change in amount due from a shareholder		**–**	311
Change in trade payables		**230**	(2,424)
Change in contract liabilities		**(850)**	(603)
Change in other payables and deposits received		**802**	(1,183)
Cash generated from operating activities		**9,865**	5,996
Income tax paid		**(342)**	–
Net cash generated from operating activities		**9,523**	5,996
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in pledged bank deposits		**(1,516)**	3,488
Acquisition of a subsidiary	33(a)	**2,591**	–
Interest received		**16**	12
Purchases of property, plant and equipment		**(8,675)**	(916)
Net cash (used in)/generated from investing activities		**(7,584)**	2,584

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES	33(b)		
Repayment of bank borrowings		**(42,931)**	(63,374)
Bank borrowings raised		**33,498**	65,354
Repayment of finance lease payables		**(1,842)**	(1,743)
Interest paid		**(1,142)**	(1,046)
Net cash used in financing activities		**(12,417)**	(809)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(10,478)**	7,771
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**19,355**	11,584
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,877**	19,355
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**8,877**	19,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

Major Holdings Limited (the "Company") 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. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

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 (the "HKICPA") 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Shorter of 20% and over the lease terms
Office computers	20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	12.5%
Yacht and watercraft	10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

(a) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(b) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payables. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Customer relationship

Customer relationship is stated at cost (fair value at date of acquisition) less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life of 4 years. Impairment is reviewed when there is any indication that customer relationship has suffered an impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under financial assets at amortised cost.

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially stated at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Consignment commission is recognised when the products held on consignment has transferred, being when the products held on consignment are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products held on consignment and the customer has obtained legal titles to the products held on consignment.

Wine storage income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade receivables, deposits and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables, deposits and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the trade and other receivables, trade deposits paid, pledged bank deposits and bank and cash balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances and pledged bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2019 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and trade deposits paid. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 March 2019				
Trade payables	**3,388**	**–**	**–**	**–**
Other payables	**6,401**	**–**	**–**	**–**
Bank borrowings	**13,506**	**–**	**–**	**–**
Due to a director	**5,000**	**–**	**–**	**–**
Finance lease payables	**2,132**	**2,311**	**–**	**–**
At 31 March 2018				
Trade payables	2,857	–	–	–
Other payables	2,137	–	–	–
Bank borrowings	22,939	–	–	–
Finance lease payables	2,132	2,132	2,311	–

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its pledged bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Categories of financial instruments at 31 March

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**28,491**	36,622
Financial liabilities:		
Financial liabilities at amortised cost	**28,295**	27,933

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. REVENUE AND SEGMENT INFORMATION

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers and total revenue		
Sales of goods	**170,980**	217,226

Disaggregation of revenue from contracts with customers:

	2019 HK$'000	2018 HK$'000
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

6. REVENUE AND SEGMENT INFORMATION (continued)

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 note 3 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. OTHER INCOME

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

8. OTHER GAINS AND LOSSES, NET

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

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Finance lease charges	**291**	401
Interest on bank borrowings	**851**	645
	1,142	1,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. 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 (note 29)	**(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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

11. (LOSS)/PROFIT FOR THE YEAR

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

	2019	2018
	HK$'000	HK$'000
Depreciation	**2,905**	1,914
Directors' emoluments (note 12)		
– Directors' fees	**396**	391
– Salaries, bonuses and other emoluments	**4,460**	4,320
– Retirement benefit scheme contributions	**54**	54
	4,910	4,765
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
	17,432	16,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) The emoluments of each director were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of director					
Executive directors:					
Mr. Cheung Chun To	**–**	**1,200**	**600**	**18**	**1,818**
Mr. Leung Chi Kin Joseph (note a)	**–**	**1,200**	**500**	**18**	**1,718**
Ms. Cheung Wing Shun	**–**	**720**	**240**	**18**	**978**
Independent non-executive director:					
Mr. Ngai Hoi Ying	**132**	**–**	**–**	**–**	**132**
Mr. Yue Kwai Wa Ken	**132**	**–**	**–**	**–**	**132**
Mr. Siu Shing Tak (note b)	**132**	**–**	**–**	**–**	**132**
Total for 2019	**396**	**3,120**	**1,340**	**54**	**4,910**
Name of director					
Executive directors:					
Mr. Cheung Chun To	–	1,200	500	18	1,718
Mr. Leung Chi Kin Joseph (note a)	–	1,200	500	18	1,718
Ms. Cheung Wing Shun	–	720	200	18	938
Independent non-executive director:					
Mr. Wong Siu Ki (note c)	123	–	–	–	123
Mr. Ngai Hoi Ying	132	–	–	–	132
Mr. Yue Kwai Wa Ken	132	–	–	–	132
Mr. Siu Shing Tak (note b)	4	–	–	–	4
Total for 2018	391	3,120	1,200	54	4,765

Notes:

(a) Mr. Leung Chi Kin Joseph is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(b) Appointed on 22 March 2018.

(c) Passed away on 7 March 2018.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid individuals' emoluments

The five highest paid individuals in the Group during the year included 3 (2018: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2018: 2) individuals are set out below:

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	**1,547**	1,386
Retirement benefit scheme contributions	**36**	33
	1,583	1,419

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**2**	2

(c) During the year, no emoluments (2018: Nil) were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. (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	**(993)**	6,642

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**2,572,274**	2,400,000

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

15. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. GOODWILL

	HK$'000
Carrying amount as at 1 April 2017, 31 March 2018 and 1 April 2018	–
Arising on acquisition of a subsidiary (note 33(a))	2,254
Carrying amount as at 31 March 2019	**2,254**

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

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. 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 (note 33(a))	900	–	900
At 31 March 2019	900	463	1,363
Accumulated amortisation and impairment losses			
At 1 April 2017	–	–	–
Impairment loss	–	463	463
At 31 March 2018, 1 April 2018 and 31 March 2019	–	463	463
Carrying amount			
At 31 March 2019	**900**	**–**	**900**
At 31 March 2018	–	–	–

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

18. DERIVATIVE FINANCIAL INSTRUMENT

	2019 HK$'000	2018 HK$'000
Profit guarantee of The Wine Cave Company Limited	**300**	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

19. SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Particulars of the subsidiaries as at 31 March 2019 are as follows:

Name	Place of incorporation/ registration	Place of operation	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
Beyond Elite Limited	British Virgin Islands	Hong Kong	Ordinary USD1	**100%**	**–**	100%	–	Investment holding
Major Cellar Company Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	**–**	**100%**	–	100%	Sale and distribution of premium wine and spirits products
Major Industrial Development Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	**–**	**100%**	–	100%	Inactive
Major Holdings HK Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	**–**	**100%**	–	100%	Inactive
Major Credit Finance Company Limited	Hong Kong	Hong Kong	Ordinary HK$100,000	**–**	**100%**	–	100%	Inactive and holding money lenders license in Hong Kong
Shenzhen Major Industrial Development Limited	The People's Republic of China (the "PRC")	The PRC	Ordinary RMB10,000,000	**–**	**100%**	–	100%	Inactive
The Wine Cave Company Limited	Hong Kong	Hong Kong	Ordinary HK$20,700,000	**–**	**100%**	–	–	Trading of wine, wine storage and wine consignment services

Shenzhen Major Industrial Development Limited is a wholly owned foreign enterprise established in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

20. INVENTORIES

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

21. 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)**	–
Carrying amount	**12,984**	14,215

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
	12,984	14,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

21. TRADE RECEIVABLES (continued)

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
At 31 March 2019	**19**

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)	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

22. 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

23. 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 26 to the consolidated financial statements. The deposits are in Hong Kong dollars and at prevailing market rates of 0.4% p.a. (2018: 0.4% p.a.).

24. TRADE PAYABLES

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

	2019 HK$'000	2018 HK$'000
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

25. CONTRACT LIABILITIES

Disclosures of revenue-related item:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000	As at 1 April 2017 HK$'000
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 HK$'000**	2018 HK$'000
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 HK$'000	2018 HK$'000
Increase due to operations in the year	**76,243**	107,621
Increase due to business combination (note 33(a))	**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

26. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured import loans	**8,014**	12,997
Unsecured import loans	**5,492**	9,942
	13,506	22,939

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)	**(13,506)**	(22,939)
Amount due for settlement after 12 months	**–**	–

The average interest rates at 31 March were as follows:

	2019	2018
Bank borrowings	**3.21% – 4.99%**	3.21% – 3.87%

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.

27. DUE TO A DIRECTOR

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

28. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

29. 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 10)	–	237	176	413
At 31 March 2018 and 1 April 2018	–	857	–	857
Credit to profit or loss (note 10)	–	(42)	(57)	(99)
Acquisition of a subsidiary (note 33(a))	148	–	–	148
At 31 March 2019	**148**	**815**	**(57)**	**906**

30. SHARE CAPITAL

	Note	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		8,000,000	10,000
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)	480,000	600
At 31 March 2019		**2,880,000**	**3,600**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

30. SHARE CAPITAL (continued)

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 26 and 28 to the consolidated financial statements, 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.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Investments in subsidiaries	19	**107,325**	107,325
Current assets			
Prepayments and other receivables		**276**	281
Amounts due from subsidiaries	19	**56,464**	21,144
Bank and cash balances	23	**94**	147
		56,834	21,572
Current liabilities			
Other payables		**2,188**	98
Net current assets		**54,646**	21,474
Net assets		**161,971**	128,799
Capital and reserves			
Share capital	30	**3,600**	3,000
Reserves	32(b)	**158,371**	125,799
Total equity		**161,971**	128,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 April 2017	129,734	(1,682)	128,052
Loss and total comprehensive expense for the year	–	(2,253)	(2,253)
At 31 March 2018 and 1 April 2018	129,734	(3,935)	125,799
Loss and total comprehensive expense for the year	–	(2,348)	(2,348)
Issue of shares for acquisition of a subsidiary (note 33(a))	34,920	–	34,920
At 31 March 2019	**164,654**	**(6,283)**	**158,371**

(c) Nature and purpose of reserves of the Group and the Company

Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 20 November 2018, the Group acquired 100% of the issued share capital of The Wine Cave Company Limited for a total consideration of HK$37,300,000 which is comprised of a cash consideration HK$2,080,000 and 480,000,000 ordinary shares of the Company at HK$0.074 per share. The Wine Cave Company Limited was engaged in trading of wine, wine storage and wine consignment services during the year.

The fair value of the identifiable assets and liabilities of The Wine Cave Company Limited acquired as at its date of acquisition is as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	1,181
Intangible assets	900
Inventories	21,960
Trade receivables	625
Prepayments, deposits and other receivables	16,173
Bank and cash balances	2,591
Trade payables	(301)
Contract liabilities	(1,210)
Other payables and deposits received	(1,382)
Due to a director	(5,000)
Current tax liabilities	(343)
Deferred tax liabilities	(148)
	35,046
Goodwill	2,254
Total consideration	37,300
Satisfied by:	
Cash (included in other payables)	2,080
480,000,000 ordinary shares of the Company	35,520
Less: fair value of profit guarantee (note 18)	(300)
Total consideration transferred	37,300
Net cash outflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	2,591
	2,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of a subsidiary (continued)

The fair value of the 480,000,000 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

Pursuant to the terms of the acquisition, Mr. Zheng Huanming has irrevocably warranted, guaranteed and undertaken that the profit after tax of The Wine Cave Company Limited for the years ended 31 March 2019 and 2020 will not be less than HK$2,500,000 and HK$3,000,000 respectively. In the event that the profit after tax for the years ended 31 March 2019 and 2020 is less than HK$2,500,000 and HK$3,000,000 respectively, Mr. Zheng Huanming shall compensate the Group an amount prescribed in the agreement.

At 31 March 2019 and date of acquisition, with reference to a report by an independent qualified professional valuer not connected with the Group, the directors of the Company are of the opinion that the fair value of contingent consideration receivable resulting from the profit guarantee is HK$300,000.

The Wine Cave Company Limited contributed revenue and profit for the year of HK$15,848,000 and HK$1,979,000 to the Group respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2018, total Group revenue for the year would have been HK$193,737,000, and loss for the year would have been HK$194,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is intended to be a projection of future results.

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Bank borrowings HK$'000	Finance lease payables HK$'000	Total liabilities from financing activities HK$'000
At 1 April 2017	20,959	7,778	28,737
Changes in cash flows	1,980	(1,743)	237
At 31 March 2018 and 1 April 2018	22,939	6,035	28,974
Changes in cash flows	(9,433)	(1,842)	(11,275)
At 31 March 2019	**13,506**	**4,193**	**17,699**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Major non-cash transaction

On 20 November 2018, the Group acquired 100% of the issued share capital of The Wine Cave Company Limited for a total consideration of HK$37,300,000 which is comprised of HK$2,080,000 included in other payables and 480,000,000 ordinary shares of the Company at HK$0.074 per share.

34. CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: Nil).

35. LEASE COMMITMENTS

As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**6,343**	4,448
In the second to fifth year, inclusive	**1,947**	3,043
	8,290	7,491

Operating lease payments represent rentals payable by the Group for certain of its offices premises, warehouses and retail shops. Leases are negotiated for terms ranged from 1 to 3 years (2018: 1 to 3 years) and rentals are fixed over the lease terms, but certain lease includes contingent rentals, which are determined based on certain percentages of the gross sales of the relevant shop when the sales meet certain specified levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

36. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2019 HK$'000	2018 HK$'000
Sales to Mr. Cheung Chun To	**827**	669
Sales to Mr. Leung Chi Kin Joseph	**–**	536
Sales to Ms. Cheung Wing Shun	**2**	3
Sales to Major Watch Company Limited (note i)	**17**	14
Purchases from Mr. Leung Chi Kin Joseph	**–**	95
Rental expense in respect of warehouse paid or payable to Mr. Leung Chi Kin Joseph (note ii)	**480**	480
Rental expense in respect of warehouse paid or payable to Health Sunrise Limited (note iii)	**1,579**	–
Legal and professional fee paid or payable to Roma Risk Advisory Limited (note iv)	**80**	–

Notes:

(i) Major Watch Company Limited is a private limited company, which is non-wholly owned and controlled by Mr. Cheung Chun To.

(ii) As at 31 March 2019, the Group did not have commitments for future minimum lease payments in respective of warehouse to Mr. Leung Chi Kin Joseph (2018: Nil).

(iii) Health Sunrise Limited is a private limited company which is wholly owned and controlled by Ms. Lin Shuk Shuen, spouse of Mr. Cheung Chun To.

(iv) Roma Risk Advisory Limited is a private limited company which is controlled by Mr. Yue Kwai Wa Ken, an independent non-executive director of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

36. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel remuneration

	2019 HK$'000	2018 HK$'000
Directors' fees	**396**	391
Salaries, allowances and benefits in kind	**5,813**	5,711
Retirement benefit scheme contributions	**96**	94
	6,305	6,196

37. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 21 June 2019.

FINANCIAL SUMMARY

For the year ended 31 March 2019

RESULTS

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue	268,425	223,929	203,896	217,226	**170,980**
Profit/(loss) before tax	29,352	9,579	(2,271)	8,546	**(796)**
Income tax expense	(5,220)	(2,131)	(258)	(1,904)	**(197)**
Profit/(loss) for the year	24,132	7,448	(2,529)	6,642	**(993)**

ASSETS AND LIABILITIES

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total assets	147,146	135,638	139,741	142,823	**176,279**
Total liabilities	(32,273)	(35,397)	(42,029)	(38,469)	**(37,398)**
Total equity	114,873	100,241	97,712	104,354	**138,881**