



INTERIM
REPORT
2019

 **MAJOR**
HOLDINGS LIMITED
美捷滙控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code: 1389

* For identification purposes only

Registered office

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

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

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

Company's website

<http://www.majorcellar.com>

Executive directors

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

Independent non-executive directors

Mr. 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. Ngai Hoi Ying
Mr. Siu Shing Tak

Nomination committee

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

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

DBS Bank (Hong Kong) Limited
United Overseas Bank 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

For the six months ended 30 September 2019, unaudited operating results of the Group were as follows:

- loss after taxation for the six months ended 30 September 2019 was approximately HK\$11.7 million, whereas profit after taxation for the six months ended 30 September 2018 amounted to approximately HK\$2.7 million.
- basic loss per share for the six months ended 30 September 2019 was 0.41 HK cents, based on ordinary shares of 2,880,000,000 in issue, whereas basic earnings per share for the six months ended 30 September 2018 was 0.11 HK cents, based on ordinary shares of 2,400,000,000 in issue.
- the Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the "Board") of Major Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

		Six months ended	
		30 September	
		2019	2018
		(unaudited)	(unaudited
	Notes	HK\$'000	and restated)
			HK\$'000
Revenue	4	68,341	91,099
Cost of sales		(58,670)	(71,524)
Gross profit		9,671	19,575
Other income		345	6
Other gains and losses, net		(2,212)	34
Promotion, selling and distribution expenses		(9,648)	(8,330)
Administrative expenses		(9,237)	(7,185)
(Loss)/profit from operations		(11,081)	4,100
Finance costs	5	(652)	(679)
(Loss)/profit before tax		(11,733)	3,421
Income tax expense	6	(5)	(684)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company	7	(11,738)	2,737
		HK cents	HK cents
(Loss)/earnings per share, basic and diluted	9	(0.41)	0.11

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited and restated) HK\$'000
Non-current assets			
Property, plant and equipment	10	17,136	19,904
Goodwill		2,254	2,254
Intangible assets		900	900
Derivative financial instruments		300	300
Right-of-use assets		9,761	6,477
Deposits	12	632	632
		30,983	30,467
Current assets			
Inventories		81,068	88,228
Trade receivables	11	12,730	12,984
Prepayments, deposits and other receivables	12	44,525	37,305
Current tax assets		6	361
Pledged bank deposits		5,051	4,534
Bank and cash balances		1,692	8,877
		145,072	152,289
Current liabilities			
Trade payables	13	2,228	3,388
Contract liabilities		5,607	4,004
Other payables and accrued charges		2,339	6,401
Bank borrowings	14	19,687	13,506
Due to a director		5,000	5,000
Lease liabilities		7,351	6,999
		42,212	39,298
Net current assets		102,860	112,991
Total assets less current liabilities		133,843	143,458
Non-current liabilities			
Lease liabilities		6,051	3,933
Deferred tax liabilities		911	906
		6,962	4,839
NET ASSETS		126,881	138,619
Capital and reserves			
Share capital		3,600	3,600
Reserves		123,281	135,019
TOTAL EQUITY		126,881	138,619

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 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 2019 (audited and restated)	3,600	164,654	(104,902)	30,483	44,784	138,619
Loss and total comprehensive expense for the period (unaudited)	-	-	-	-	(11,738)	(11,738)
At 30 September 2019 (unaudited)	3,600	164,654	(104,902)	30,483	33,046	126,881
At 1 April 2018 (audited and restated)	3,000	129,734	(104,902)	30,483	45,887	104,202
Profit and total comprehensive income for the period (unaudited and restated)	-	-	-	-	2,737	2,737
At 30 September 2018 (unaudited and restated)	3,000	129,734	(104,902)	30,483	48,624	106,939

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, directors and shareholders of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	(unaudited)	(unaudited and restated)
	HK\$'000	HK\$'000
Net cash used in operating activities	(9,165)	(7,161)
Change in pledged bank deposits	(517)	(1,506)
Other investing cash flows (net)	(60)	(61)
Net cash used in investing activities	(577)	(1,567)
Repayment of bank borrowings	(29,615)	(33,894)
Bank borrowings raised	35,796	29,081
Repayment of lease liabilities	(2,972)	(2,587)
Other financing cash flows	(652)	(679)
Net cash generated from/(used in) financing activities	2,557	(8,079)
Net decrease in cash and cash equivalents	(7,185)	(16,807)
Cash and cash equivalents at beginning of the period	8,877	19,355
Cash and cash equivalents at end of the period, represented by bank and cash balances	1,692	2,548

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 March 2019. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2019 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	33.33% – 50%
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. 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 financial statements and amounts reported for the current period and prior years except as stated below.

HKFRS 16 “Leases”

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases”.

HKFRS 16 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	HK\$'000
At 31 March 2019:	
Increase in right-of-use assets	6,477
Increase in lease liabilities	(6,739)
Decrease in retained earnings	262
For the 6 months ended 30 September 2018:	
Increase in promotion, selling and distribution expenses	(72)
Decrease in administrative expenses	26
Increase in lease interests	(106)
Decrease in profit for the period	(152)
Decrease in earnings per share (HK cents)	(0.01)

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 Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount. The Group's operation is solely derived from sale and distribution of premium wine and spirits products and wine accessory products in Hong Kong for both periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in notes to the consolidated financial statements for the year ended 31 March 2019 except as stated in note 2 to the condensed consolidated financial statements. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	Six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Red wine	62,188	78,141
White wine	1,403	4,539
Sparkling wine	1,294	2,612
Spirits	2,664	5,347
Sake	686	–
Wine accessory products	63	459
Other products	43	1
	68,341	91,099

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered and the Group's property, plant and equipment amounting to approximately HK\$17,136,000 (31 March 2019: approximately HK\$19,904,000) as at 30 September 2019 are all located in Hong Kong by physical location of assets.

The Group's geographical market is in Hong Kong only. The revenue is recognised at a point of time for the both reporting periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

5. FINANCE COSTS

	Six months ended 30 September 2019 (unaudited) HK\$'000	2018 (unaudited and restated) HK\$'000
Interests on:		
Bank borrowings	427	414
Leases liabilities	225	265
	652	679

6. INCOME TAX EXPENSE

	Six months ended 30 September 2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Current tax – Hong Kong Profits Tax	–	673
Deferred tax	5	11
	5	684

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2018: 16.5%) of the estimated assessable profits for the period.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

7. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit for the period is arrived at after charging/(crediting):

	Six months ended 30 September 2019	2018
	(unaudited) HK\$'000	(unaudited and restated) HK\$'000
Directors' remuneration	1,785	1,785
Staff costs including directors' emoluments		
Salaries and other benefits	7,320	6,223
Sales commission	415	932
Retirement benefits scheme contributions	278	257
Total staff costs	8,013	7,412
Loss on disposals of property, plant and equipment	965	–
Reversal of allowance for inventories	(373)	(237)
Loss allowance provision for trade receivables	1,280	–
Depreciation of property, plant and equipment	1,871	971
Depreciation of right-of-use assets	2,867	1,831

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

9. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 September 2019 (unaudited) HK\$'000	2018 (unaudited and restated) HK\$'000
(Loss)/earnings:		
(Loss)/profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation	(11,738)	2,737
	'000	'000
Number of shares:		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation	2,880,000	2,400,000

No diluted (loss)/earnings per share is presented for both periods as the Company did not have any dilutive potential ordinary shares for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$68,000 (year ended 31 March 2019: approximately HK\$8,675,000).

11. TRADE RECEIVABLES

The ageing analysis of trade receivables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
0 to 30 days	2,025	10,109
31 to 60 days	372	244
61 to 90 days	1,059	974
Over 90 days	9,274	1,657
	12,730	12,984



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Trade deposits paid, rental, utilities and other deposits	44,301	33,475
Prepayments and other receivables	856	4,462
Total prepayments, deposits and other receivables	45,157	37,937
Analysed as:		
Current assets	44,525	37,305
Non-current assets	632	632
	45,157	37,937

13. TRADE PAYABLES

The ageing analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
0 to 30 days	584	804
31 to 60 days	373	816
61 to 90 days	179	351
Over 90 days	1,092	1,417
	2,228	3,388

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

14. BANK BORROWINGS

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited) HK\$'000
Secured import loans	13,710	8,014
Unsecured import loans	5,977	5,492
	19,687	13,506

As at 30 September 2019 and 31 March 2019, the secured import loans were secured by pledged bank deposits of the Group. All the bank borrowings were guaranteed by the Company.

15. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to those related party transactions disclosed elsewhere in notes to the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 September 2019 (unaudited) HK\$'000	2018 (unaudited and restated) HK\$'000
Sales to related parties		
– Mr. Cheung Chun To	327	624
– Mr. Leung Chi Kin Joseph	3	–
– Ms. Cheung Wing Shun	6	19
– Major Watch Company Limited (“Major Watch”) (Note i)	13	–
	349	643
Expenses related to short-term leases of warehouse paid or payable to Mr. Leung Chi Kin Joseph (Note ii)	200	240
Lease interests in respect of warehouse paid or payable to Health Sunrise Limited (Note iii)	42	27

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

Notes:

- i) Major Watch is a private limited company, which is non-wholly owned and controlled by Mr. Cheung Chun To, one of the controlling shareholders.
- ii) As at 30 September 2019, the Group has no commitments for future minimum lease payments in respect of warehouse to Mr. Leung Chi Kin Joseph, who is an executive director of the Company (31 March 2019: Nil).
- iii) Health Sunrise Limited is a company wholly owned by Ms. Lin Shuk Shuen, the spouse of Mr. Cheung Chun To, a director of the Company.

(b) Related party balances

In addition to those related party balances disclosed elsewhere in notes to the condensed consolidated financial statements, the Group had the following balances with its related parties as at 30 September 2019:

	30 September 2019 (unaudited) HK\$'000	31 March 2019 (audited and restated) HK\$'000
Lease liabilities payable to Health Sunrise Limited (Note i)	1,418	2,457

Note:

- i) Health Sunrise Limited is a company wholly owned by Ms. Lin Shuk Shuen, the spouse of Mr. Cheung Chun To, a director of the Company.

(c) Compensation of key management personnel

The remuneration of the directors and other members of key management which were determined by reference to the Group's performance during the six months ended 30 September 2019 and 2018 were as follows:

	Six months ended 30 September 2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Short-term benefits	2,388	2,358
Post-employment benefits	48	47
	2,436	2,405

16. EVENTS AFTER THE REPORTING PERIOD

On 8 August 2019, Major Cellar (a wholly-owned subsidiary of the Company) and Ms. Lai Wai Kong (the "Vendor") entered into a sale and purchase agreement (the "Acquisition Agreement") pursuant to which Major Cellar conditionally agreed to acquire, and the Vendor conditionally agreed to sell certain wine stocks as set out in the Acquisition Agreement (the "Wine Stocks") for the consideration of HK\$32,112,000, which shall be satisfied by way of allotment and issue of 446,000,000 ordinary shares of HK\$0.00125 each in the share capital of the Company ("Consideration Shares") at the issue price of HK\$0.072 per Consideration Share (rounded to 3 decimal places) to the Vendor upon completion of the acquisition of the Wine Stocks pursuant to the terms and conditions of the Acquisition Agreement (the "Acquisition") under the general mandate granted to the directors of the Company at the 2018 annual general meeting of the Company (the "General Mandate") credited as fully paid.

The Acquisition was completed on 31 October 2019, whereby the Company allotted 446,000,000 shares to the Vendor as Consideration Shares on 31 October 2019.

17. APPROVAL OF FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 November 2019.

BUSINESS REVIEW AND OUTLOOK

According to the Report from Trading Economics in November 2019, retail sales volume in Hong Kong slipped 20.4 percent year-on-year in September 2019. It was the eight straight month of drop in retail sales, reflecting severe disruptions in inbound tourism and consumption-related activities caused by months of social unrest. As compared with the retail sales in 2018, alcoholic drinks & tobacco sales dropped 15.4 percent in September 2019. Retail sales year-on-year change in Hong Kong is expected to be minus 20 percent by the end of this quarter.

Based on the "Report on Monthly Survey of Retail Sales" in September 2019 published by the Census and Statistics Department, the value of total retail sales by type of retail outlet decreased from approximately HK\$361.3 billion for the nine months ended 30 September 2018 to approximately HK\$334.9 billion for the nine months ended 30 September 2019, representing a decrease of approximately 7.3%. During the six months ended 30 September 2019, the Group's revenue decreased by 25.0% to approximately HK\$68.3 million (2018: HK\$91.1 million). The decrease was mainly due to the decrease of the sales of red wine from approximately HK\$78.1 million for the six months ended 30 September 2018 to approximately HK\$62.2 million for the six months ended 30 September 2019.

Facing the uncertain local social unrest and global economic outlook, including the US-Sino Trade War challenge, the soft or hard landing effects of Brexit in the EU, the vulnerable Hong Kong retail market and intensified competition in premium wine industry, the overall business environment has been unstable and challenging for the six months ended 30 September 2019.

Red wine continued to be the Group's core product type and main profit driver. In response to the challenging retail market in Hong Kong, the Group will continue to improve its sales and marketing channels, adjust its sales and marketing strategies and customize its inventory portfolio.

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

RECENT DEVELOPMENT

On 8 August 2019, Major Cellar (a wholly-owned subsidiary of the Company) and Ms. Lai Wai Kong (the "Vendor") entered into a sale and purchase agreement (the "Acquisition Agreement") pursuant to which Major Cellar conditionally agreed to acquire, and the Vendor conditionally agreed to sell certain wine stocks as set out in the Acquisition Agreement (the "Wine Stocks") for the consideration of HK\$32,112,000, which shall be satisfied by way of allotment and issue of 446,000,000 ordinary shares of HK\$0.00125 each in the share capital of the Company ("Consideration Shares") at the issue price of HK\$0.072 per Consideration Share (rounded to 3 decimal places) to the Vendor upon completion of the acquisition of the Wine Stocks pursuant to the terms and conditions of the Acquisition Agreement (the "Acquisition") under the general mandate granted to the directors of the Company at the 2018 annual general meeting of the Company (the "General Mandate") credited as fully paid.

The Acquisition was completed on 31 October 2019, whereby the Company allotted 446,000,000 shares to the Vendor as Consideration Shares on 31 October 2019.

Upon Completion, the Company acquired the Wine Stocks without any cash payment to the Vendor. The Board considered that this transaction is in the best interests of the shareholders as a whole.

Apart from this deal, the Group will continue to seek new business opportunities from time to time in order to diversify its business and enhance the long-term growth potential of the Group and its shareholders' value.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 25.0% from approximately HK\$91.1 million for the six months ended 30 September 2018 to approximately HK\$68.3 million for the six months ended 30 September 2019.

Gross profit

Gross profit of the Group decreased by approximately 50.6% from approximately HK\$19.6 million for the six months ended 30 September 2018 to approximately HK\$9.7 million for the six months ended 30 September 2019. The change was mainly attributable to the decrease of revenue of the Group for the six months ended 30 September 2019.

Promotion, selling and distribution expenses and administrative expenses

Promotion, selling and distribution expenses of the Group increased by approximately 15.8% from approximately HK\$8.4 million for the six months ended 30 September 2018 to approximately HK\$9.6 million for the six months ended 30 September 2019. The change was mainly attributable to the increase in salary expenses.

Administrative expenses of the Group increased by approximately 28.6% from approximately HK\$7.2 million for the six months ended 30 September 2018 to approximately HK\$9.2 million for the six months ended 30 September 2019. The increase was mainly attributable to the increase of depreciation expense on right-of-use assets.

Depreciation of property, plant and equipment

The depreciation on property, plant and equipment of the Group increased by approximately 92.7% from approximately HK\$971,000 for the six months ended 30 September 2018 to approximately HK\$1,871,000 for the six months ended 30 September 2019. The increase was mainly attributable to the increase in depreciation expense on warehouse.

Finance costs

Finance costs of the Group decreased by approximately 4.0% from approximately HK\$679,000 for the six months ended 30 September 2018 to approximately HK\$652,000 for the six months ended 30 September 2019.

Income tax expense

Income tax expense for the Group decreased by approximately 99.3% from approximately HK\$684,000 for the six months ended 30 September 2018 to approximately HK\$5,000 for the six months ended 30 September 2019. The decrease was mainly due to the decrease of estimated assessable profit during the six months ended 30 September 2019 as compared to the corresponding period in 2018.

Loss/profit and total comprehensive expense/income for the period attributable to owners of the Company

For the reasons mentioned above, profit and total comprehensive income for the period attributable to owners of the Company was approximately HK\$2.7 million for the six months ended 30 September 2018, whereas loss and total comprehensive expense was approximately HK\$11.7 million for the six months ended 30 September 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2019 (unaudited)	As at 31 March 2019 (audited and restated)
Current assets	HK\$145,072,000	HK\$152,289,000
Current liabilities	HK\$42,212,000	HK\$39,298,000
Current ratio	3.44	3.88

The current ratio of the Group at 30 September 2019 was approximately 3.44 times as compared to that of approximately 3.88 times at 31 March 2019. It was mainly resulted from the approximately 45.8% increase in bank borrowings. At 30 September 2019, the Group had total bank and cash balances and pledged bank deposits of approximately HK\$6.7 million (31 March 2019: approximately HK\$13.4 million). At 30 September 2019, the Group's gearing ratio (represented by the sum of lease liabilities and bank borrowings divided by equity) amounted to approximately 26.1% (31 March 2019: approximately 17.6%). The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements.

COMMITMENTS

As at 30 September 2019 and 31 March 2019, the Group did not have any significant lease commitments and capital commitments.

PLEDGE OF ASSETS

As at 30 September 2019, the Group pledged its bank balance of approximately HK\$5.1 million (31 March 2019: approximately HK\$4.5 million) as securities for banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2019 (31 March 2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 39 full-time and 1 part-time employees (31 March 2019: 49 full-time and 1 part-time employees) respectively. The staff costs, including Directors' emoluments, of the Group were approximately HK\$8.0 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$7.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this interim report, during the six months ended 30 September 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

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

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

So far as were known to the Directors or chief executive of the Company, and based on publicly available information as at 30 September 2019, the interests and short positions of our Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the securities and futures ordinance ("SFO")) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules, were as follows:

Name	Capacity/ Nature of Interest	Number of shares	Approximate percentage of shareholding
Mr. Cheung Chun To	Interest in controlled corporation (Note 1)	761,000,000 shares	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%

Management Discussion and Analysis

Notes:

1. Mr. Cheung Chun To beneficially owns the entire shareholding interests in Silver Tycoon Limited. Therefore, Mr. Cheung Chun To is deemed to be interested in the 761,000,000 shares held by Silver Tycoon Limited. 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 30 September 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 the Stock Exchange pursuant to the Model Code of the Listing Rules.

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

As at 30 September 2019, so far as it were known to the Directors or chief executive of the Company, and based on publicly available information, the following persons (other than a director or chief executive of the Company) have 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%
Mr. Zheng Huanming	Beneficial Owner	480,000,000 shares	16.67%

Notes:

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

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Share Option Scheme”) providing incentives or rewards to eligible persons of the Group for their contribution to the Group. Details of the Share Option Scheme have been set out in the Company’s 2019 Annual Report. During the six months ended 30 September 2019, no option was granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the six months ended 30 September 2019.

DIRECTOR’S INTERESTS IN CONTRACTS

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 30 September 2019 or at any time during the six months ended 30 September 2019.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 September 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has confirmed, having made specific enquiry to the Directors, all the Directors have complied with the Model Code during the six months ended 30 September 2019.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rule during the six months ended 30 September 2019 save for the deviation stated below:

According to the code provision E.1.2 of the Corporate Governance Code, the chairman of the board should attend the annual general meeting. Mr. Cheung Chun To, being the Chairman of the Company, did not attend the annual general meeting of the Company held on 9 August 2019 due to his business engagement.

The Directors will use their best endeavours to procure the Company to comply with such code and provisions in accordance with the Listing Rules.

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

There were no significant investments held as at 30 September 2019. The Group did not have other plans for material investments and capital assets as at 30 September 2019.

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.

FOREIGN EXCHANGE EXPOSURE

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

As at 30 September 2019, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group, internal control and risk management systems of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Group. The Audit Committee consists of three members, namely Mr. Siu Shing Tak, Mr. Yue Kwai Wa Ken and Mr. Ngai Hoi Ying, all being independent non-executive Directors. The interim financial information has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of the Company (www.majorcellar.com) and the Stock Exchange (www.hkexnews.hk). The 2019 interim report will be dispatched to shareholders and available on the above websites in due course.

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

Hong Kong, 28 November 2019