MAJOR HOLDINGS LIMITED

美捷滙控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1389)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by 30.9% from HK$107.8 million for the year ended 31 March 2022 to HK$74.4 million for the year ended 31 March 2023

- Loss and total comprehensive expense attributable to the owners of the Company for the year ended 31 March 2022 was HK$8.7 million, whereas loss and total comprehensive expense attributable to owners of the Company for the year ended 31 March 2023 was HK$16.6 million

- Basic loss per share was HK0.26 cent for the year ended 31 March 2022, whereas basic loss per share was HK0.50 cent for the year ended 31 March 2023

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil)

* *For identification purposes only*

ANNUAL RESULTS

The directors (the "**Directors**") of the board (the "**Board**") is pleased to announce the audited consolidated results of Major Holdings Limited (the "**Company**") and its subsidiaries (collectively as the "**Group**") for the year ended 31 March 2023 together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*3*	**74,443**	107,789
Cost of sales		**(66,574)**	(93,948)
Gross profit		**7,869**	13,841
Interest revenue		**28**	4
Other income	*4*	**2,879**	5,976
Other gains and losses, net	*5*	**(6,352)**	(3,014)
Promotion, selling and distribution expenses		**(9,632)**	(11,385)
Administrative expenses		**(10,665)**	(9,606)
Loss from operations		**(15,873)**	(4,184)
Finance costs	*6*	**(758)**	(577)
Loss before tax		**(16,631)**	(4,761)
Income tax credit/(expense)	*7*	**37**	(3,953)
Loss and total comprehensive expense for the year attributable to owners of the Company	*8*	**(16,594)**	(8,714)
Loss per share	*10*		
– Basic and diluted (HK cent)		**(0.50)**	(0.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**2,085**	2,041
Right-of-use assets	*11*	**7,489**	356
Goodwill	*12*	**–**	2,254
Intangible assets		**–**	225
Deposits	*15*	**201**	–
		9,775	4,876
Current assets			
Inventories	*13*	**71,678**	75,706
Trade receivables	*14*	**9,380**	14,236
Prepayments, deposits and other receivables	*15*	**35,146**	65,290
Current tax assets		**450**	–
Pledged bank deposits		**–**	6,060
Bank and cash balances		**5,933**	7,180
		122,587	168,472
Current liabilities			
Trade payables	*16*	**1,701**	1,063
Contract liabilities	*17*	**5,961**	12,093
Other payables		**756**	1,934
Bank borrowings	*18*	**4,000**	22,546
Due to a director		**2,000**	5,000
Lease liabilities	*19*	**3,337**	1,100
Current tax liabilities		**–**	3,168
		17,755	46,904
Net current assets		**104,832**	121,568
Total assets less current liabilities		**114,607**	126,444

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities	*19*	**4,794**	–
Deferred tax liabilities		**–**	37
		4,794	37
NET ASSETS		**109,813**	126,407
Capital and reserves			
Share capital	*20*	**4,158**	4,158
Reserves		**105,655**	122,249
TOTAL EQUITY		**109,813**	126,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

Major Holdings Limited was incorporated in Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Suites 1507, Tower 2, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; 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.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers and total revenue:		
Sales of goods	**74,443**	107,789

Disaggregation of revenue from contracts with customers:

	2023	2022
	HK$'000	*HK$'000*
Major products:		
Red wine	**54,738**	85,332
White wine	**8,022**	8,253
Sparkling wine	**2,405**	3,823
Spirit	**9,026**	10,076
Sake	**184**	283
Wine accessory products	**65**	19
Others	**3**	3
	74,443	107,789

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 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 director 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 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 customer

No individual customer exceed 10% of the total revenue of the Group during the year.

4. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Tax indemnity by shareholders *(note)*	**–**	3,817
Consignment commission	**298**	242
Storage fee income	**2,072**	1,917
Government subsidy	**509**	–
	2,879	5,976

Note:

On 30 December 2013, the Company and Silver Tycoon Limited, Mr. Cheung Chun To, High State Investments Limited and Mr. Leung Chi Kin Joseph (collectively referred to as the "Indemnifiers") entered into the deed of indemnity (the "Deed"). Pursuant to the Deed, the Indemnifiers agreed and undertook to, jointly and severally, fully indemnify the tax claim under the Deed. Particulars of the tax claim are set out in note 7(b) to this announcement.

5. OTHER GAINS AND LOSSES, NET

	2023	2022
	HK$'000	*HK$'000*
Net foreign exchange gain	**46**	85
Loss allowance provision for trade receivables	**(3,302)**	(3,103)
Impairment loss on goodwill	**(2,254)**	–
Impairment loss on property, plant and equipment	**(293)**	–
Impairment loss on right-of-use assets	**(499)**	–
Loss on disposal of property, plant and equipment	**(29)**	–
Others	**(21)**	4
	(6,352)	(3,014)

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Lease interest expenses	**354**	123
Interest on bank borrowings	**404**	454
	758	577

7. INCOME TAX (CREDIT)/EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax *(note (a))*		
– Provision for the year	**–**	173
– Under-provision in prior years *(note (b))*	**–**	3,817
	–	3,990
Deferred tax	**(37)**	(37)
	(37)	3,953

Notes:

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 March 2023 as the Group did not generate any assessable profits arising in Hong Kong during that year. Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 March 2022.

(b) Inland Revenue Department ("IRD") invoke section 82A of Inland Revenue Ordinance ("IRO") to impose penalty by way of additional tax for the years of assessment 2009/10 to 2015/16 and 2017/18 of which some years of assessment up to and including 2013/14 had been statutorily time barred under section 80(5) of the IRO.

The Group is hereby prepared to pay the sum of HK$1,880,000 as penalty under section 82A of the IRO for the years of assessment 2009/10 to 2015/16 and 2017/18 and compound penalty of HK$110,000 for the offence of keeping incomplete business records under the requirement of section 51C of the IRO on behalf of the shareholders of the Group.

The Group will also settle tax underpaid in prior years and holdover interest amounted to HK$1,701,000 and HK$126,000 respectively to IRD on behalf of the shareholders of the Group.

8. LOSS FOR THE YEAR

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,999**	2,130
Depreciation of right-of-use assets	**2,591**	3,983
Amortisation of intangible assets	**225**	225
Auditor's remuneration	**430**	360
Cost of inventories sold	**66,574**	93,948
Net allowance/(reversal of allowance) for inventories (included in cost of inventories sold)	**1,384**	(1,284)
Staff costs including directors' emoluments		
– Salaries, bonuses and allowances	**7,819**	7,405
– Sale commission	**313**	903
– Retirement benefit scheme contributions	**300**	303
	8,432	8,611

9. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2023 (2022: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

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

	2023	2022
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(16,594)**	(8,714)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,326,000**	3,326,000

(b) Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary share during the years ended 31 March 2023 and 2022.

11. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

At 31 March	**2023**	2022
	HK$'000	*HK$'000*
Right-of-use assets – buildings	**7,489**	356
Lease commitments of short-term leases	**148**	242
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	**3,720**	1,105
– Between 1 and 3 years	**5,000**	–
	8,720	1,105

Year ended 31 March	**2023**	2022
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets		
– Buildings	**2,591**	3,983
Lease interest expenses	**354**	123
Expenses related to short-term leases	**573**	225
Total cash outflow for leases	**4,119**	5,906
Additions to right-of-use assets	**10,223**	–
Early termination of right-of-use assets	**–**	283
Impairment loss on right-of-use assets	**499**	–

Lease agreements are typically made for fixed periods of 1-3 (2022: 1-2) years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group carried out reviews of the recoverable amount of its right-of-use assets as the Group recorded continuous loss for the years ended 31 March 2023 and 2022. These assets are used in the Group's sale and distribution of premium wine and spirits products business. The reviews led to the recognition of an impairment loss of right-of-use assets of HK$499,000 that has been recognised in profit or loss. The recoverable amount of the relevant right-of-use assets of HK$3,225,000 has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 13.40%.

12. GOODWILL

	HK$'000
Carrying amount	
At 1 April 2021, 31 March 2022 and 1 April 2022	**2,254**
Impairment loss	**(2,254)**
At 31 March 2023	**–**

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:

	2023 *HK$'000*	2022 *HK$'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% (2022: 3%). 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 13.40% (2022: 11.40%).

13. INVENTORIES

	2023 *HK$'000*	2022 *HK$'000*
Premium wine and spirits products	**70,775**	74,728
Wine accessory products	**903**	978
	71,678	75,706

14. 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 relationships. Trade receivables from third parties mainly represent receivables from customers in relation to the sales of premium wine and spirits products.

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**17,084**	18,638
Provision for loss allowance	**(7,704)**	(4,402)
Carrying amount	**9,380**	14,236

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

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**3,300**	5,040
31 to 60 days	**110**	530
61 to 90 days	**1,540**	1,167
91 to 120 days	**5**	186
121 to 180 days	**454**	184
181 to 365 days	**3,463**	4,891
Over 365 days	**508**	2,238
	9,380	14,236

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Tax indemnity receivables from shareholders *(note)*	**3,817**	3,817
Prepayments and other receivables	**1,026**	1,332
Trade deposits paid	**29,580**	59,012
Rental and utilities deposits	**888**	1,095
Other deposits	**36**	34
	35,347	65,290

	2023	2022
	HK$'000	*HK$'000*
Analysed as:		
– Non-current assets	**201**	–
– Current assets	**35,146**	65,290
	35,347	65,290

Note:

Particulars of the tax claim and indemnity are set out in notes 7(b) and 4 to this announcement. Mr. Cheung Chun To is the executive director of the Company and Silver Tycoon Limited which is controlled by Mr. Cheung Chun To, pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, the maximum amount outstanding are HK$3,817,000.

16. TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**850**	226
91 to 365 days	**–**	2
Over 365 days	**851**	835
	1,701	1,063

17. CONTRACT LIABILITIES

Disclosures of revenue-related item:

At	**31 March 2023**	31 March 2022	1 April 2021
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities	**5,961**	12,093	12,074
Contract receivables (included in trade receivables)	**9,380**	14,236	27,363

Transaction prices allocated to performance obligations unsatisfied at the end of the year and expected to be recognised as revenue in the year ended 31 March:

– 2023	**N/A**	12,093
– 2024	**5,961**	–
	5,961	12,093

Year ended 31 March	**2023**	2022
	HK$'000	*HK$'000*
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	**10,885**	7,483

Significant changes in contract liabilities during the year:

	2023	2022
	HK$'000	*HK$'000*
Increase due to operations in the year	**45,236**	66,621
Transfer of contract liabilities to revenue	**(51,368)**	(66,602)

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.

18. BANK BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
Secured import loans	**–**	17,731
Unsecured import loans	**4,000**	4,815
	4,000	22,546

The borrowings are repayable as follows:

	2023	2022
	HK$'000	*HK$'000*
On demand or within one year	**4,000**	22,546
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(4,000)**	(22,546)
Amount due for settlement after 12 months	**–**	–

The average interest rates at 31 March were as follows:

	2023	2022
Bank borrowings	**5.68% – 5.87%**	2.79% – 3.52%

As at 31 March 2023, the secured import loans of HK$Nil (2022: HK$17,731,000) are secured by pledged bank deposits of the Group. All the bank borrowings were guaranteed by the Company.

19. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**3,720**	1,105	**3,337**	1,100
Over one year but within three years	**5,000**	–	**4,794**	–
	8,720	1,105		
Less: Future finance charges	**(589)**	(5)		
Present value of lease obligations	**8,131**	1,100	**8,131**	1,100
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,337)**	(1,100)
Amount due for settlement after 12 months (shown under non-current liabilities)			**4,794**	–

As at 31 March 2023, the average effective borrowing rate was 5.78% (2022: 2.81%) p.a.. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

20. SHARE CAPITAL

	Number of shares	Total
	'000	***HK$'000***
Authorised:		
Ordinary shares of HK$0.00125 (2022: HK$0.00125) each		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	**8,000,000**	**10,000**
Issued and fully paid:		
Ordinary shares of HK$0.00125 (2022: HK$0.00125) each		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	**3,326,000**	**4,158**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As affected by the outbreak of unprecedented COVID-19, according to the Report on Monthly Survey of Retail Sales March 2023 produced by the Hong Kong Census and Statistics Department, the value of Hong Kong Total Retail Sales by type of retail outlet decreased from HK$353.0 billion for the year ended 31 December 2021 to HK$350.0 billion for the year ended 31 December 2022, representing a year-on-year decrease by 1.0%. For the year ended 31 March 2023, the Group's revenue decreased by 30.9% to HK$74.4 million (2022: HK$107.8 million). The decrease was mainly due to the decrease on the sales of red wine from HK$85.3 million for the year ended 31 March 2022 to HK$54.7 million for the year ended 31 March 2023.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by 30.9% from HK$107.8 million for the year ended 31 March 2022 to HK$74.4 million for the year ended 31 March 2023. The decrease was mainly due to the decrease of the sales of red wine from HK$85.3 million for the year ended 31 March 2022 to HK$54.7 million for the year ended 31 March 2023.

Gross profit

Gross profit of the Group decreased by 43.1% from HK$13.8 million for the year ended 31 March 2022 to HK$7.9 million for the year ended 31 March 2023. The decrease was mainly due to the decrease in revenue during the year ended 31 March 2023. The gross profit margin decreased from 12.8% for the year ended 31 March 2022 to 10.6% for the year ended 31 March 2023 which was mainly due to discounts offered to customers for the year ended 31 March 2023 on the outbreak of COVID-19.

Other income

Other income of the Group for the year ended 31 March 2022 was HK$6.0 million, whereas other income of the Group for the year ended 31 March 2023 was HK$2.9 million, the decrease was mainly attributable to one-off tax indemnity by shareholders of HK$3.8 million for the year ended 31 March 2022.

Depreciation of property, plant and equipment and right-of-use assets

Depreciation on property, plant and equipment of the Group for the year ended 31 March 2022 was HK$2.1 million, whereas depreciation on property, plant and equipment of the Group for the year ended 31 March 2023 was HK$2.0 million. Depreciation on right-of-use assets for the year ended 31 March 2022 was HK$4.0 million, whereas depreciation on right-of-use assets for the year ended 31 March 2023 was HK$2.6 million.

Promotion, selling and distribution expenses and administrative expenses

Promotion, selling and distribution expenses and administrative expenses of the Group decreased by 3.3% from HK$21.0 million for the year ended 31 March 2022 to HK$20.3 million for the year ended 31 March 2023 which was mainly attributable to the decrease in staff costs and depreciation of right-of-use assets for the year ended 31 March 2023.

Income tax credit/expense

Income tax expense of the Group was HK$4.0 million for the year ended 31 March 2022, whereas income tax credit of the Group was HK$37 thousand for the year ended 31 March 2023. The change was mainly due to one-off under-provision of income tax in prior years of HK$3.8 million as mentioned in note 7 to this announcement.

Loss and total comprehensive expense for the year attributable to owners of the Company

For the reasons mentioned above, loss and total comprehensive expense attributable to the owners of the Company for the year ended 31 March 2022 was HK$8.7 million, whereas loss and total comprehensive expense attributable to owners of the Company for the year ended 31 March 2023 was HK$16.6 million.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to shareholders of the Company ("**Shareholders**") for the year ended 31 March 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2023 Annual General Meeting, the register of members of the Company will be closed from Tuesday, 8 August 2023 to Friday, 11 August 2023, both dates inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 August 2023.

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting of the Company will be held on Friday, 11 August 2023. A notice convening the meeting will be issued in due course.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2023	2022
Current assets	**HK$122,587,000**	HK$168,472,000
Current liabilities	**HK$17,755,000**	HK$46,904,000
Current ratio	**6.90**	3.59

The current ratio of the Group at 31 March 2022 was 3.59 times, whereas the current ratio of the Group at 31 March 2023 was 6.90 times. It was mainly attributed to the decrease in trade receivables and decrease in bank borrowings for the year ended 31 March 2023.

At 31 March 2023, the Group had total bank and cash balances of HK$5.9 million (2022: HK$7.2 million) and pledged bank deposits of HK$Nil (2022: HK$6.1 million).

At 31 March 2023, the Group's gearing ratio (represented by the aggregate sum of amount due to a director, lease liabilities and bank borrowings divided by equity) amounted to 12.9% (2022: 22.7%). The Group currently have not entered 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.

CAPITAL STRUCTURE

Details of the movements in the Company's share capital are set out in note 20 to this announcement.

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

Save as disclosed in this announcement, these were no other significant investments held as at 31 March 2023. The Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this announcement, the company did not have any other material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 March 2023.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2023 (2022: 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 2023, 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 2023, the Group has pledged bank deposits of HK$Nil (2022: HK$6.1 million) to secure the banking facilities granted to the Group.

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

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

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

(c) Maximum number of Shares available for Subscription

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

(d) Maximum entitlement of each Eligible Person

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

(e) Time of exercise of Option

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

(f) Subscription Price

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

(i) the closing price per Share as stated in the Stock Exchange's 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 2023, no option under the Share Option Scheme has been granted by the Company (2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed a total of 23 full-time and 1 part-time employees (2022: 25 full-time and 1 part-time employees) respectively. The staff costs, including Directors' emoluments, of the Group were HK$8.4 million for the year ended 31 March 2023 (2022: HK$8.6 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end and discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

During the years ended 31 March 2022 and 2023, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. As at 31 March 2022 and 2023, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

OUTLOOK

Global

According to the World Economic Outlook in April 2023 – "A Rocky Recovery" in April 2023, by the International Monetary Fund, global growth is projected to bottom out at 2.8% in 2023, before rising modestly to 3.0% in 2024. Global inflation will decrease, although more slowly than initially anticipated, from 8.7% in 2022 to 7% in 2023 and 4.9% in 2024. Emerging market and developing economics are already powering ahead in many cases, with growth rates over four quarters jumping from 2.8% in 2022 to 4.5% in 2023. The slowdown is concentrated in advanced economics, especially the euro area and the United Kingdom, where growth is expected to fall 0.7% and -0.4% respectively, in 2023 before rebounding to 1.8% and 2.0% in 2024. The downgrade largely reflects the war's direct impacts on Russia and Ukraine and global spillovers.

The war in Ukraine has triggered Economic damage from the conflict will contribute to a significant slowdown in global growth in 2023. A severe double-digit drop in GDP for Ukraine and a large contraction in Russia are more than likely.

The economic effects of the war are spreading far and wide, mainly through commodity markets, trade, and financial linkages.

Inflation is expected to remain elevated for longer than in the previous forecast, driven by war-induced commodity price increases and broadening price pressures. For 2023, global inflation will decrease, although more slowly than initially anticipated, from 8.7% in 2022 to 7% in 2023 and 4.9% in 2024.

As Russia is a major supplier of oil, gas, and metals, and, together with Ukraine, of wheat and corn, the current and anticipated decline in the supply of these commodities has already driven their prices up sharply.

The food and fuel price increases will hurt lower-income households globally, even prior to the war, inflation had surged. The US inflation has reached its highest level in more than 40 years, in the context of tight labor markets, which cause a more aggressive tightening response from the central banks. As a result of the war, inflation is now projected to remain elevated for much longer.

Elevated inflation will complicate the trade-offs central banks face between containing price pressures and safeguarding growth. Interest rates are expected to rise as central banks tighten policy, exerting pressure on emerging market and developing economies.

Immediately after the invasion, capital outflow increased markedly from emerging market and developing economies, tightening financial conditions for vulnerable borrowers and net importers of commodities, and putting downward pressure on the currencies of the most exposed countries. This may create some credit market vulnerabilities as interest rates and risk premia rise, with implications for financial stability.

Global growth is projected to bottom out at 2.8% in 2023, before rising modestly to 3.0% in 2024.

PRC

According to the "China Economic Monitor Issue: 2023Q1", by the KPMG on February 2023 Report:

1. China's GDP grew 3.0% in 2022, below the 5.5% growth target set by the government last March. Q4 GDP grew 2.9% year-over-year (yoy), higher than market expectation. Headwinds such as the highly transmissible Omicron variant of COVID-19, slowdown of the real estate market, rapid interest rate hikes by the US Fed, and geopolitical uncertainty weighed on the Chinese economy last year. Meanwhile, despite slower economic growth, the size of China's GDP reached RMB121 trillion (USD18 trillion), showcasing China's underlying strengths as a large domestic market.

2. When China reversed its zero-COVID policy in early December 2022, the country saw a rapid wave of infections in subsequent weeks. However, the earlier than expected re-opening has also accelerated the country's economic recovery. Using road traffic congestion as an indicator of the pace of the recovery, KPMG estimated, as of mid February 2023, two thirds of the major cities have seen activity rebounded to levels higher than the same period before the pandemic.

3. In contrast to many advanced economies, recovery of consumption in China has lagged compared to industrial production and exports. However, KPMG expect consumption to become a key driver for China's growth this year. Consumer spending, especially for services and discretionary, is expected to see a stronger rebound. As an example, holiday spending during the Chinese New Year saw a solid recovery.

4. Investment growth last year was primarily driven by manufacturing and infrastructure, up 9.1% and 11.5%, respectively. Looking ahead, KPMG expect investment related to high-end manufacturing and equipment upgrading will continue to see robust growth. Infrastructure investment is expected to remain stable, but fiscal pressure may constrain growth of local government spending.

5. The property market saw significant headwinds last year, with real estate investment down 10%, the first annual decline in the data's history. The government has continuously stepped up support measures since 2H 2022. KPMG expect the property market to stabilise in 2023.

6. Growth of exports is slowing due to weakening global demand, which is expected to weigh on the economy this year. Meanwhile, China's export structure is changing. It exported over 3 million vehicles last year and became the world's second largest auto exporter. The trend is expected to continue moving forward.

7. Overall, KPMG expect China's economy to grow 5.7% this year. Following the removal of COVID-related restrictions, China is re-focusing on economic growth. The private sector and foreign investments are important contributors to China's innovation, employment, and global competitiveness. KPMG expect the government to increase policy support to boost confidence of private enterprises and MNCs.

HK

As affected by the outbreak of unprecedented COVID-19, according to the Report on Monthly Survey of Retail Sales March 2023 produced by the Hong Kong Census and Statistics Department, the value of Hong Kong Total Retail Sales in March 2023 decreased by 0.8%, the volume of Hong Kong Total Retail Sales in March 2023 decreased by 3.4%, and the value index of Sales of food, alcoholic drinks and tobacco increased by 3.7% for the 3 months ended 31 March 2023. On the other hand, the value of online retail sales was HK$34.6 billion for the year ended 31 March 2023, which was increased by 20.7% as compared with that in March 2022.

According to the "Hong Kong Budget Summary 2023–2024", by the KPMG on February 2023 Report,

1. 2023–2024 Government revenue and expenditure (estimated)

   Total government revenue for 2023–24 is estimated to be HKD642.4 billion (2022–23: HKD603.8 billion) within which tax revenues (i.e., Profits Tax, Stamp Duty, Salaries Tax) account for 52.6%, followed by land premiums at 13.2% and investment income at 10.4%. Total government expenditure is estimated at HKD761.0 billion (2022–23: HKD809.6 billion). Education, social welfare and healthcare account for about 48.5% of total government expenditure. The government forecasts an overall consolidated deficit of HKD54.4 billion for 2023–24. This has taken into account the new sources of revenue, including the annual special football betting duty to be collected from the Hong Kong Jockey Club and the issuance of government bonds. Hong Kong's fiscal reserves are predicted to remain healthy at about HKD762.9 billion as at 31 March 2024. Fiscal reserves are estimated to stand at HKD983.7 billion by the end of March 2028, which is equivalent to roughly 14 months of government expenditures.

2. Real Gross Domestic Product growth rate

Overall, the Hong Kong economy showed a contraction of 3.5% year-on-year, predominantly as a result of domestic outbreak of the fifth wave of the epidemic and deterioration in the external environment last year. Nevertheless, with the relaxation of most of the local pandemic measures and the lifting of cross-boundary restrictions, a solid recovery in the performance of Hong Kong's catering, retail and tourism sectors is expected and the economic outlook for 2023 stays positive. With timely targeted measures rolled out by the government supported by healthy fiscal reserves, Hong Kong's economy remains resilient and capable of weathering any economic headwinds.

3. Underlying inflation rate

The underlying inflation rate in 2022 is estimated to be 1.7%, up 1.1 percentage point from the year before. Looking ahead, the inflation outlook for 2023 will be heavily influenced by the recovery in domestic economic activity and the pace of the global economic recovery. The inflation pressure in Hong Kong should remain moderate in overall terms. There have been signs of recovery in the local economy and the growing momentum is expected to continue in the foreseeable future.

4. Unemployment rate

The unemployment rate in Hong Kong for the period from November 2022 to January 2023 was 3.4%. Looking ahead, the unemployment rate will largely depend on the recovery in the economy after the relaxation of pandemic measures and other restrictions on local economic activities.

5. Key measures by the HK Government

- Issue HKD5,000 electronic consumption vouchers to each eligible Hong Kong permanent resident and new arrival aged 18 or above in two instalments

- Issue no less than HKD50 billion of Silver Bond and HKD15 billion of retail green bonds in the next financial year

- Introduce a mechanism to provide facilitation for companies domiciled overseas for re-domiciliation to Hong Kong

- Provide an additional funding of HKD550 million to the Hong Kong Trade Development Council to assist enterprises in opening up markets

- HKD20 million reserved to expedite strategic studies and exchanges of the high-end maritime service industry, and expand the scale of the Hong Kong Maritime Week

- Over HKD250 million to be spent on mega events

- About HKD300 million reserved for staging more mega events, international meetings, incentive travels, conventions and exhibitions in Hong Kong

Industry Trend Report

According to the Hong Kong Trade Development Council Research Report of Wine industry in Hong Kong on 25 July 2022, which provided statistical data for the year of 2021. In 2021, according to the *Census and Statistics Department*, there were 790 establishments engaging in the import for wholesale of alcoholic drinks, up from 310 in 2008, while in the same period the number of specialised stores making retail sales of alcoholic beverages increased from 140 to 470.

Mainland China and Macao, which together accounted for nearly 66% of the total in 2021, are the major wine exporting destinations for Hong Kong. In 2021, total exports of wine increased by 77.4% by value, following a decline of 40.4% the year before.

Most of the wine imported into Hong Kong comes from European countries, such as France and the United Kingdom, but in recent years there has also been a significant proportion arriving from the 'New World' countries, notably Australia, the US and New Zealand. In 2021, the value of wine imports increased by 33.9%. The biggest rises were from Australia (+131.3%), Spain (+63.9%) and Italy (+34.5%).

In volume terms, Hong Kong imported 38.98 million litres of wine in 2021. About 26% of this was reexported while the remaining 74% was either conveyed out of Hong Kong by individuals leaving the territory or retained for storage or local consumption.

High-value, investment-grade wines are usually sold through auctions organised by global auction houses, including *Acker Merrall & Condit, Sotheby's, Christie's and Zachys*. Thanks to the surge in demand from Asian investors, Hong Kong has since 2009 become one of the largest wine auction centres in the world, according to *Wine Spectator*.

Online channels have become more popular recently thanks to the growth of the internet and advances in logistics technology. Home delivery of wines has become especially popular during the *COVID-19* pandemic.

According to Statista, wine industry revenue in Hong Kong is expected to reach US$622 million in 2022. Due to the COVID-19 pandemic, there was a drastic drop in value and volume in 2020. The performance of wine industry is expected to return to its pre-pandemic levels (2019) in 2023.

The world wine market is expected to regain its momentum after the huge blow dealt to it in 2020 by the pandemic. Statista estimates that global revenue in the industry will amount to US$310.6 billion in 2022, with the market expected to grow 11.75% annually between 2022 and 2025.

Given the growth in consumption power in mainland China, many wine merchants are now attempting to tap this market. Statista forecasts that the revenue of the mainland China wine sector will reach US$25.7 billion in 2022 and grow annually between 2022 and 2025 by 6.76%.

Company's tactics

In order to take advantage of the business opportunities in the mainland China market, many international wine companies have set up a presence in Hong Kong and have transferred their specialist partners to the city. For example, Robert Sleigh, Senior Director and head of *Sotheby's* wine department in Asia, relocated to Hong Kong from New York in September 2010. In 2014, *Sotheby's* set up a wine retail store in Hong Kong only its second such store in the world, after the one it opened at its New York headquarters in 2010.

The Hong Kong wine retail market faced the similar crisis; since the beginning of June 2019, the number of tourists has dropped significantly due to the outbreak of social unrest, leading to the Group's loss in the interim period of the financial year under review. The number of tourists plunged further after the outbreak of COVID-19 in February 2020. The local consumer sentiment has been deeply dampened. All this aggravated the difficult situation to worsen the sales performance of the Group.

The unprecedented pandemic that is raging worldwide has made the operating environment extremely difficult. Management have adopted various contingency measures, including developing the on-line shop platform with customers; reducing costs to preserve working capital; improving both the staff organizational structure and cost structure; streamlining processes and automating works to raise the operational efficiency, in order to maintain the Group's strengths for its long term development and enable the Group to get through this difficult time and recover its profitability as soon as possible.

As an open economy. Hong Kong is particularly vulnerable to the impact of the global situation, especially currently affected by war, inflation, oil price, high interest rate, it will be facing a challenging external environment in 2023 and 2024. The management of the Group remains cautiously optimistic about future economic recovery. However, in face of the complex and volatile global economy and geopolitics, the outlook is full of uncertainties. The Group is fundamentally strong with a healthy financial position, which is capable of facing the potential challenges.

To cope with the difficult environment 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 to share plenty of wine inspiration and know-how.

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 through various sales channels and marketing activities, can provide prompt knowledge and expertise to our esteem customers, to suit their different tastes. Although the market situation is tough, the Group is confident to develop actively in the premium wine and spirit market.

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 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 to new business opportunities from time to time in order to diversify its business and enhance the long-term growth of Group and its shareholders' value.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2023.

DIRECTORS' INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2023 or at any time during that year.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year ended 31 March 2023.

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 2023. 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 2023. 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 2023.

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 auditor; 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 2023.

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

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

EVENT AFTER THE REPORTING PERIOD

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

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.majorcellar.com). The annual report of the Company for the year ended 31 March 2023 and the notice of annual general meeting of the Company will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.majorcellar.com) in due course.

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

Hong Kong, 16 June 2023

As at the date of this announcement, the executive Director is Mr. Cheung Chun To, and the independent non-executive Directors are Mr. Yue Kwai Wa Ken, Mr. Ngai Hoi Ying and Mr. Siu Shing Tak.