



美捷滙控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

STOCK CODE : 1389

The background of the lower half of the page is a vibrant, abstract composition. It features two wine glasses, one in the foreground and one slightly behind it, both rendered in a golden-brown outline. The background is filled with flowing, overlapping waves of color in shades of purple, magenta, and orange, with several small, solid-colored circles scattered throughout. The overall aesthetic is modern and sophisticated.

INTERIM  
REPORT  
2016

\* For identification purposes only

# Corporate Information

## Registered office

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

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

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

## Company's website

<http://www.majorcellar.com>

## Executive directors

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

## Independent non-executive directors

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

## Company secretary

Mr. Chan Yee Tak (HKICPA)

## Compliance officer

Ms. Cheung Wing Shun

## Authorised representatives

Mr. Cheung Chun To  
Mr. Leung Chi Kin Joseph

## Audit committee

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

## Remuneration committee

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

## Nomination committee

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

## Principal share registrar and transfer office in the Cayman Islands

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

## Hong Kong branch share registrar and transfer office

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

## Principal banker

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

## Auditor

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

## Hong Kong legal adviser

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

## Stock code

1389

## Financial Highlights

For the six months ended 30 September 2016, unaudited operating results of the Group were as follows:

- profit after taxation for the six months ended 30 September 2016 amounted to approximately HK\$2.4 million, representing a decrease of approximately 46.7% from the corresponding period of the previous financial year;
- basic earnings per share for the six months ended 30 September 2016 based on ordinary shares of 2,400,000,000 in issue was 0.10 HK cents; and
- the Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (30 September 2015: 0.2 HK cents (adjusted as taking into account of the effect of the bonus issue (as defined in the Company's circular dated 6 June 2016) which was completed on 8 July 2016)).



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

For the six months ended 30 September 2016

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 2016 together with the unaudited comparative figures for the corresponding period in 2015 as follows:

|  | Notes | Six months ended<br>30 September<br>2016<br>(unaudited)<br>HK\$'000 | 2015<br>(unaudited)<br>HK\$'000 |
|--|-------|---|---------------------------------|
| Revenue  | 3     | <b>97,673</b>   | 103,512                         |
| Cost of sales  |       | <b>(78,556)</b>   | (82,809)                        |
| Gross profit   |       | <b>19,117</b>   | 20,703                          |
| Other income   |       | <b>19</b>   | 82                              |
| Other gains and losses, net  |       | <b>(308)</b>  | 67                              |
| Promotion, selling and distribution expenses   |       | <b>(7,435)</b>  | (7,923)                         |
| Administrative expenses  |       | <b>(7,749)</b>  | (7,213)                         |
| Finance costs  | 4     | <b>(276)</b>  | (130)                           |
| Profit before taxation   |       | <b>3,368</b>  | 5,586                           |
| Income tax expense   | 5     | <b>(957)</b>  | (1,117)                         |
| Profit and total comprehensive income for the period attributable to owners of the Company | 6     | <b>2,411</b>  | 4,469                           |
|  |       | <b>HK cents</b>   | HK cents (restated)             |
| Earnings per share, basic and diluted  | 8     | <b>0.10</b>   | 0.19                            |

# Condensed Consolidated Statement of Financial Position

As at 30 September 2016

|  | Notes | 30 September<br>2016<br>(unaudited)<br>HK\$'000 | 31 March<br>2016<br>(audited)<br>HK\$'000 |
|--|-------|---|---|
| <b>Non-current assets</b>  |       |   |   |
| Property, plant and equipment                                      | 9     | 15,577  | 2,436                                     |
| Rental deposits  | 10    | 510   | –   |
|  |       | <b>16,087</b>                                   | 2,436                                     |
| <b>Current assets</b>  |       |   |   |
| Inventories  |       | 79,805  | 73,865                                    |
| Trade and other receivables,<br>deposits and prepayments           | 10    | 33,738  | 48,276                                    |
| Tax recoverable  |       | 2,547   | 1,739                                     |
| Pledged bank deposits  |       | 3,000   | –   |
| Bank balances and cash   |       | 3,987   | 9,322                                     |
|  |       | <b>123,077</b>                                  | 133,202                                   |
| <b>Current liabilities</b>   |       |   |   |
| Trade and other payables, accrued<br>charges and deposits received | 11    | 10,135  | 15,646                                    |
| Amount due to a shareholder  |       | –   | 480                                       |
| Obligations under finance leases<br>– due within one year          |       | 158   | 416                                       |
| Bank borrowings  | 12    | 25,583  | 18,675                                    |
|  |       | <b>35,876</b>                                   | 35,217                                    |
| Net current assets   |       | <b>87,201</b>                                   | 97,985                                    |
| Total assets less current liabilities                              |       | <b>103,288</b>                                  | 100,421                                   |
| <b>Capital and reserves</b>  |       |   |   |
| Issued capital   | 13    | 3,000   | 1,200                                     |
| Reserves   |       | 99,652  | 99,041                                    |
| Total equity   |       | <b>102,652</b>                                  | 100,241                                   |
| <b>Non-current liabilities</b>                                     |       |   |   |
| Obligations under finance leases<br>– due after one year           |       | –   | 13  |
| Deferred tax liability   |       | 636   | 167                                       |
|  |       | <b>103,288</b>                                  | 100,421                                   |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

|  | Issued<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000<br>(Note i) | Other<br>reserve<br>HK\$'000<br>(Note ii) | Accumulated<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|--|-------------------------------|------------------------------|--|---|------------------------------------|-------------------|
| At 1 April 2016 (audited)  | 1,200                         | 131,534                      | (104,902)                                  | 30,483                                    | 41,926                             | 100,241           |
| Bonus issue  | 1,800                         | (1,800)                      | -  | -   | -                                  | -                 |
|  | 3,000                         | 129,734                      | (104,902)                                  | 30,483                                    | 41,926                             | 100,241           |
| Profit and total<br>comprehensive income<br>for the period (unaudited) | -                             | -                            | -  | -   | 2,411                              | 2,411             |
| At 30 September 2016<br>(unaudited)                                    | 3,000                         | 129,734                      | (104,902)                                  | 30,483                                    | 44,337                             | 102,652           |
| At 1 April 2015 (audited)  | 1,200                         | 131,534                      | (104,902)                                  | 30,483                                    | 56,558                             | 114,873           |
| Profit and total<br>comprehensive income<br>for the period (unaudited) | -                             | -                            | -  | -   | 4,469                              | 4,469             |
| Dividends (Note 7)   | -                             | -                            | -  | -   | (14,400)                           | (14,400)          |
| At 30 September 2015<br>(unaudited)                                    | 1,200                         | 131,534                      | (104,902)                                  | 30,483                                    | 46,627                             | 104,942           |

## Notes:

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

|  | Six months ended<br>30 September |                                 |
|--|----------------------------------|---------------------------------|
|  | 2016<br>(unaudited)<br>HK\$'000  | 2015<br>(unaudited)<br>HK\$'000 |
| Net cash generated from operating activities   | <b>5,732</b>                     | 6,630                           |
| Net cash used in investing activities  | <b>(17,428)</b>                  | (444)                           |
| Net cash from (used in) financing activities   | <b>6,361</b>                     | (24,764)                        |
| Net decrease in cash and cash equivalents  | <b>(5,335)</b>                   | (18,578)                        |
| Cash and cash equivalents at beginning of the period                                     | <b>9,322</b>                     | 27,948                          |
| Cash and cash equivalents at end of the period,<br>represented by bank balances and cash | <b>3,987</b>                     | 9,370                           |



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 1. GENERAL

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

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

In the current period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

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

### 3. REVENUE AND SEGMENT INFORMATION

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

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

|                         | Six months ended |             |
|-------------------------|------------------|-------------|
|                         | 30 September     |             |
|                         | 2016             | 2015        |
|                         | (unaudited)      | (unaudited) |
|                         | HK\$'000         | HK\$'000    |
| Red wine                | 83,700           | 87,597      |
| White wine              | 4,338            | 4,098       |
| Sparkling wine          | 2,665            | 3,309       |
| Spirits                 | 6,837            | 8,269       |
| Wine accessory products | 132              | 235         |
| Other products          | 1                | 4           |
|                         | 97,673           | 103,512     |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered and the Group's property, plant and equipment amounting to HK\$15,577,000 (31 March 2016: HK\$2,436,000) as at 30 September 2016 are all located in Hong Kong by physical location of assets.

## 4. FINANCE COSTS

|   | Six months ended<br>30 September |                                 |
|---|----------------------------------|---------------------------------|
|   | 2016<br>(unaudited)<br>HK\$'000  | 2015<br>(unaudited)<br>HK\$'000 |
| Interests on:   |                                  |                                 |
| Bank borrowings wholly repayable within<br>five years | 267                              | 106                             |
| Obligations under finance leases                      | 9                                | 24                              |
|   | <b>276</b>                       | 130                             |

## 5. INCOME TAX EXPENSE

|                        | Six months ended<br>30 September |                                 |
|------------------------|----------------------------------|---------------------------------|
|                        | 2016<br>(unaudited)<br>HK\$'000  | 2015<br>(unaudited)<br>HK\$'000 |
| Hong Kong Profits Tax: |                                  |                                 |
| Current year           | 488                              | 1,154                           |
| Deferred tax           | 469                              | (37)                            |
|                        | <b>957</b>                       | 1,117                           |

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

|   | Six months ended<br>30 September |             |
|---|----------------------------------|-------------|
|   | 2016                             | 2015        |
|   | (unaudited)                      | (unaudited) |
|   | HK\$'000                         | HK\$'000    |
| Profit and total comprehensive income for the period has been arrived at after charging:          |                                  |             |
| Other staff costs:  |                                  |             |
| Salaries and other benefits   | 5,456                            | 4,961       |
| Sales commission  | 915                              | 819         |
| Retirement benefits scheme contributions  | 196                              | 200         |
| Total staff costs   | 6,567                            | 5,980       |
| Loss on written off property,<br>plant and equipment<br>(included in other gains and losses, net) | 295                              | –           |
| Depreciation of property, plant and equipment   | 512                              | 475         |
| Operating lease payments in respect of office<br>premises, warehouses and retail shops            | 2,922                            | 4,120       |

## 7. DIVIDENDS

During the period ended 30 September 2015, a final dividend of 0.4 HK cents per share (adjusted as taking into account of the effect of the bonus issue (as defined in the Company's circular dated 6 June 2016) which was completed on 8 July 2016) in respect of the year ended 31 March 2015 was declared and paid to the owners of the Company. The aggregate amount of the dividend declared and paid in the current interim period amounted to HK\$9,600,000.

During the period ended 30 September 2015, a quarterly dividend of 0.2 HK cents per share (adjusted as taking into account of the effect of the bonus issue (as defined in the Company's circular dated 6 June 2016) which was completed on 8 July 2016) was declared and paid to the owners of the Company. The aggregate amount of the quarterly dividend declared and paid in the current interim period amounted to HK\$4,800,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (30 September 2015: 0.2 HK cents (adjusted as taking into account of the effect of the bonus issue (as defined in the Company's circular dated 6 June 2016) which was completed on 8 July 2016)).

## 8. EARNINGS PER SHARE

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

|  | Six months ended<br>30 September |                                 |
|--|----------------------------------|---------------------------------|
|  | 2016<br>(unaudited)<br>HK\$'000  | 2015<br>(unaudited)<br>HK\$'000 |
| Earnings:  |                                  |                                 |
| Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company) | <b>2,411</b>                     | 4,469                           |
|  | <b>'000</b>                      | '000<br>(restated)              |
| Number of shares:  |                                  |                                 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | <b>2,400,000</b>                 | 2,400,000                       |

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the period ended 30 September 2015 has been retrospectively adjusted to reflect the bonus issue which was completed on 8 July 2016.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired equipment and leasehold improvement of approximately HK\$13,948,000 (31 March 2016: HK\$809,000).

At 30 September 2016 the carrying values of motor vehicles included an amount of approximately HK\$1,100,000 (31 March 2016: HK\$1,250,000) in respect of assets held under finance leases.

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|  | <b>As at<br/>30 September<br/>2016<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2016<br>(audited)<br>HK\$'000 |
|--|---|--|
| Trade receivables from third parties                                   | <b>13,781</b>   | 22,964   |
| Trade deposits paid  | <b>17,717</b>   | 22,174   |
| Other receivables and prepayments                                      | <b>2,750</b>  | 3,138  |
| <b>Total trade and other receivables,<br/>deposits and prepayments</b> | <b>34,248</b>   | 48,276   |
| Analysed as  |   |  |
| Current  | <b>33,738</b>   | 48,276   |
| Non-current  | <b>510</b>  | –  |
|  | <b>34,248</b>   | 48,276   |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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

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

|               | <b>As at<br/>30 September<br/>2016<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2016<br>(audited)<br>HK\$'000 |
|---------------|---|--|
| 0 to 30 days  | <b>2,433</b>  | 15,446   |
| 31 to 60 days | <b>2,839</b>  | 6,179  |
| 61 to 90 days | <b>323</b>  | 521  |
| Over 90 days  | <b>8,186</b>  | 818  |
|               | <b>13,781</b>   | 22,964   |

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

Included in the Group's trade receivables are debtors with a carrying amount of HK\$9,595,000 (31 March 2016: HK\$3,451,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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

|                                    | <b>As at<br/>30 September<br/>2016<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2016<br>(audited)<br>HK\$'000 |
|------------------------------------|---|--|
| Trade payables                     | 2,757   | 4,573  |
| Trade deposits received            | 5,322   | 9,089  |
| Other payables and accrued charges | 2,056   | 1,984  |
|                                    | <b>10,135</b>   | 15,646   |

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

|               | <b>As at<br/>30 September<br/>2016<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2016<br>(audited)<br>HK\$'000 |
|---------------|---|--|
| 0 to 30 days  | 429   | 1,508  |
| 31 to 60 days | 450   | 337  |
| 61 to 90 days | 225   | 635  |
| Over 90 days  | 1,653   | 2,093  |
|               | <b>2,757</b>  | 4,573  |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 12. BANK BORROWINGS

|                          | <b>As at<br/>30 September<br/>2016<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2016<br>(audited)<br>HK\$'000 |
|--------------------------|---|--|
| Unsecured bank overdraft | <b>2,426</b>  | –  |
| Secured import loans     | <b>12,014</b>   | –  |
| Unsecured import loans   | <b>8,294</b>  | 12,185   |
| Unsecured bank loans     | <b>2,849</b>  | 6,490  |
|                          | <b>25,583</b>   | 18,675   |

As at 30 September 2016 and 31 March 2016, the unsecured bank borrowings are guaranteed by the Company. As at 30 September 2016, the secured bank borrowings were secured by pledged bank deposits.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 13. ISSUED CAPITAL

|  | Number of<br>shares  | Share<br>capital<br>HK\$'000 |
|--|----------------------|------------------------------|
| Authorised ordinary shares of HK\$0.00125 each |                      |                              |
| At 1 April 2016 and 30 September 2016          | <b>8,000,000,000</b> | <b>10,000</b>                |
| Issued ordinary shares of HK\$0.01 each        |                      |                              |
| At 1 April 2015 and 30 September 2015          | <b>120,000,000</b>   | <b>1,200</b>                 |
| Issued ordinary shares of HK\$0.00125 each     |                      |                              |
| At 1 April 2016                                | <b>960,000,000</b>   | <b>1,200</b>                 |
| Bonus issued (Note iii)                        | <b>1,440,000,000</b> | <b>1,800</b>                 |
| At 30 September 2016                           | <b>2,400,000,000</b> | <b>3,000</b>                 |

Notes:

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 14. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions:

|  | Six months ended<br>30 September |                                 |
|--|----------------------------------|---------------------------------|
|  | 2016<br>(unaudited)<br>HK\$'000  | 2015<br>(unaudited)<br>HK\$'000 |
| Sales to related parties   |                                  |                                 |
| – Mr. Cheung   | 82                               | –                               |
| – Mr. Leung  | 249                              | –                               |
| – Ms. Cheung Wing Shun   | 10                               | –                               |
| – Major Watch Company Limited<br>("Major Watch") (Note i)                        | 33                               | 30                              |
|  | <b>374</b>                       | 30                              |
| Rental expense in respect of warehouse<br>paid or payable to Mr. Leung (Note ii) | 240                              | 240                             |

Notes:

- i) Major Watch is a private limited company controlled by Mr. Cheung and Mr. Cheung Chun Pang who are the executive Directors of the Company. Mr. Cheung Chun Pang was resigned as an executive director on 30 November 2015.
- ii) As at 30 September 2016, the Group has commitments for future minimum lease payments in respect of warehouse to Mr. Leung, who is an executive Director of the Company, amounted to HK\$240,000 (30 September 2015: HK\$240,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 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 period ended 30 September 2016 and 2015 as follows:

|                          | <b>Six months ended</b> |             |
|--------------------------|-------------------------|-------------|
|                          | <b>30 September</b>     |             |
|                          | <b>2016</b>             | 2015        |
|                          | <b>(unaudited)</b>      | (unaudited) |
|                          | <b>HK\$'000</b>         | HK\$'000    |
| Short-term benefits      | <b>2,353</b>            | 1,893       |
| Post-employment benefits | <b>46</b>               | 52          |
|                          | <b>2,399</b>            | 1,945       |

# Management Discussion and Analysis

## **BUSINESS REVIEW AND OUTLOOK**

Hong Kong's retail markets remain challenging. The value of total retail sales by type of retail outlet decreased from approximately HK\$224.6 billion for the six months ended 30 September 2015 to approximately HK\$206.9 billion for the six months ended 30 September 2016, representing a decrease of approximately 7.9%, as released by the Census and Statistics Department. During the six months ended 30 September 2016, the Group's revenue decreased by approximately 5.6% to approximately HK\$97.7 million (2015: HK\$103.5 million). The decrease was mainly due to the decrease of the sales of red wine and spirits from approximately HK\$87.6 million and HK\$8.3 million for the six months ended 30 September 2015 to approximately HK\$83.7 million and HK\$6.8 million for the six months ended 30 September 2016 respectively.

The Group was able to maintain its sales revenue at a satisfactory level compared with the overall Hong Kong retail market mainly attributable to our customer loyalty and our management team's nimble adaption to market sentiments.

The retail market of Hong Kong had undergone a lot of pressures, the uncertain global economic outlook, intensive competition in the industry, the devaluation of currencies in neighbouring countries, such as China, as well as the Hong Kong dollar rising with the continuously strengthening U.S. dollar outlook.

Red wine continued to be the Group's core product type and main source of profit driver. In response to the challenging retail market in Hong Kong, the Group will continue to improve its sales by offering and implementing new marketing channels and shopping methods, adjusting its sales and marketing strategies and optimizing its inventory level. The Group is confident in its position as one of Hong Kong's main premium wine retailers.

## **RECENT DEVELOPMENT**

The Group expands its business to include the provision of money lending services in Hong Kong (the "New Business") through Major Credit Finance Company Limited (美滙信用財務有限公司), an indirect wholly-owned subsidiary of the Company. The management believes that the New Business will provide a stable revenue and cash inflow to the Group.

# Management Discussion and Analysis

On 11 October 2016, the Company, as purchaser, entered into a non-legally binding letter of intent with a vendor (the “Vendor”) in relation to the possible acquisition (the “Possible Acquisition”) of 13.42% issued share capital of a company, namely NSX Limited (“NSX”), is a company incorporated in Australia with limited liability. It wholly-owns and operates, among others, the National Stock Exchange of Australia (“NSXA”) which is licensed by the Australian government since February 2000 and is allowed to operate stock markets in the trading of financial securities, such as to provide facility for, among others, the listing of equity securities, corporate debt and investment scheme units. NSXA lists various companies within Australia and overseas that meet its listing rule requirements, including but not limited to issuers engaging in property, finance, investment, life sciences, consumer, information technology, agriculture, infrastructure, media, asset management, regional banks, health and exploration. The discussions of the Possible Acquisition is still on-going but no formal or definitive agreement between the Group and the Vendor has been entered into. Announcements on the Possible Acquisition have been made by the Company on 11 October 2016 and 12 October 2016.

The Group has been actively seeking 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 5.6% from approximately HK\$103.5 million for the six months ended 30 September 2015 to approximately HK\$97.7 million for the six months ended 30 September 2016.

### Gross profit

Gross profit of the Group decreased by approximately 7.7% from approximately HK\$20.7 million for the six months ended 30 September 2015 to approximately HK\$19.1 million for the six months ended 30 September 2016. The change was mainly attributable to the revenue of the Group decrease during the six months ended 30 September 2016.

# Management Discussion and Analysis

## **Promotion, selling and distribution expenses and administrative expenses**

Promotion, selling and distribution expenses of the Group decreased by approximately 6.3% from approximately HK\$7.9 million for the six months ended 30 September 2015 to approximately HK\$7.4 million for the six months ended 30 September 2016. The change was mainly attributable to the decrease in sample expenses and operating lease payment in respect of warehouses and retail shops which was offset by the increase of advertising and promotion expenses, staff costs and depreciation of property, plant and machinery.

Administrative expenses of the Group increased by approximately 6.9% from approximately HK\$7.2 million for the six months ended 30 September 2015 to approximately HK\$7.7 million for the six months ended 30 September 2016. The increase was mainly attributable to the increase of staff costs and bank charges and investor relationship expenses, which was slightly offset by the decrease of legal and professional fees.

## **Depreciation of property, plant and equipment**

The Group recorded depreciation on property, plant and equipment of approximately HK\$512,000 and HK\$475,000 for the six months ended 30 September 2015 and 30 September 2016 respectively.

## **Finance costs**

Finance costs of the Group increased by approximately 112.3% from approximately HK\$130,000 for the six months ended 30 September 2015 to approximately HK\$276,000 for the six months ended 30 September 2016. The increase was mainly due to the increase in average bank borrowings during the six months ended 30 September 2016.

## **Income tax expense**

Income tax expense for the Group decreased by approximately 9.1% from approximately HK\$1.1 million for the six months ended 30 September 2015 to approximately HK\$1.0 million for the six months ended 30 September 2016. The decrement was mainly due to the decrease of estimated assessable profit during the six months ended 30 September 2016 compared to the corresponding period in 2015.

# Management Discussion and Analysis

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

For the reasons mentioned above, profit and total comprehensive income for the period attributable to owners of the Company decreased by approximately 46.7% from approximately HK\$4.5 million for the six months ended 30 September 2015 to approximately HK\$2.4 million for the six months ended 30 September 2016.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (30 September 2015: 0.2 HK cents (adjusted as taking into account of the effect of the bonus issue (as defined in the Company's circular dated 6 June 2016) which was completed on 8 July 2016)).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

|                     | <b>As at<br/>30 September<br/>2016<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2016<br>(audited)<br>HK\$'000 |
|---------------------|---|--|
| Current assets      | <b>123,077</b>  | 133,202  |
| Current liabilities | <b>35,876</b>   | 35,217   |
| Current ratio       | <b>3.43</b>   | 3.78   |

The current ratio of the Group at 30 September 2016 was approximately 3.43 times as compared to that of approximately 3.78 times at 31 March 2016. It was mainly resulted from an increase in current liabilities which was not catch up with the decrease in current assets which arose out of the lowered business volume during the period under review. At 30 September 2016, the Group had total bank balances and cash and pledged bank deposits of approximately HK\$7.0 million (31 March 2016: HK\$9.3 million). At 30 September 2016, the Group's gearing ratio (represented by the sum of amount due to a shareholder, obligations under finance leases and bank borrowings divided by equity) amounted to approximately 25.1% (31 March 2016: 19.5%). The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

# Management Discussion and Analysis

## **COMMITMENTS**

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK\$6,515,000 as at 30 September 2016 (31 March 2016: HK\$2,800,000). As at 30 September 2016 and 31 March 2016, the Group did not have any significant capital commitments.

## **PLEDGE OF ASSETS**

As at 30 September 2016, the Group pledged its bank balance of HK\$3,000,000 (31 March 2016: Nil) as securities for banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 September 2016 (31 March 2016: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2016, the Group employed a total of 36 full-time and 2 part-time employees (31 March 2016: 35 full-time and 2 part-time employees) respectively. The staff costs, including Directors' emoluments, of the Group were approximately HK\$6.6 million for the six months ended 30 September 2016 (30 September 2015: HK\$6.0 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the six months ended 30 September 2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.



# Management Discussion and Analysis

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

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

So far as were known to the Directors or chief executive of the Company, as at 30 September 2016, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the securities and futures ordinance ("SFO")) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules, were as follows:

| Name                     | Capacity/<br>Nature of Interest             | Number<br>of shares | Approximate<br>percentage of<br>shareholding |
|--------------------------|---|---------------------|--|
| Mr. Cheung Chun To       | Interest in controlled corporation (Note 1) | 873,300,000 shares  | 36.39%                                       |
| Mr. Leung Chi Kin Joseph | Interest in controlled corporation (Note 2) | 822,000,000 shares  | 34.25%                                       |

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 873,300,000 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 822,000,000 shares held by High State Investments Limited.

## Management Discussion and Analysis

Save as disclosed above, as at 30 September 2016, 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 2016, so far as it were known to the Directors or chief executive of the Company, the following persons (other than a director or chief executive of the Company) has interests or short positions in the shares and underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO:

| Name   | Capacity/<br>Nature of Interest | Number<br>of shares | Approximate<br>percentage of<br>shareholding |
|--|---------------------------------|---------------------|--|
| Silver Tycoon Limited  | Beneficial Owner (Note 1)       | 873,300,000 shares  | 36.39%                                       |
| High State Investments Limited   | Beneficial Owner (Note 2)       | 822,000,000 shares  | 34.25%                                       |
| Ms. Lin Shuk Shuen   | Family Interest (Note 3)        | 873,000,000 shares  | 36.39%                                       |
| Ms. Ma Pui Ying  | Family Interest (Note 4)        | 822,000,000 shares  | 34.25%                                       |
| Shanghai Haitong Securities Asset<br>Management Company Limited*<br>(上海海通證券資產管理有限公司)   | Trustee                         | 153,190,000 shares  | 6.38%  |
| Zhongou Shengshi Asset Management<br>(Shanghai) Company Limited*<br>(中歐盛世資產管理(上海)有限公司) | Trustee                         | 237,830,000 shares  | 9.91%  |

\* For identification purposes only

# Management Discussion and Analysis

Notes:

1. Mr. Cheung Chun To beneficially owns the entire shareholding interests in Silver Tycoon Limited. Therefore, Mr. Cheung Chun To is deemed to be interested in the 873,300,000 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 822,000,000 shares held by High State Investments Limited.
3. Ms. Lin Shuk Shuen is the spouse of Mr. Cheung Chun To and is therefore deemed to be interested in all the shares held/owned by Mr. Cheung Chun To (by himself and through Silver Tycoon Limited) by virtue of the SFO.
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 2016, 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 2016 Annual Report. During the six months ended 30 September 2016, there is no option granted under the Share Option Scheme.



# Management Discussion and Analysis

## **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 2016.

## **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 2016 or at any time during the six months ended 30 September 2016.

## **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 2016.

## **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 Required Standard of Dealings during the six months ended 30 September 2016.

## **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 2016 except the deviation of Code Provision of A.2.7 of the Corporate Governance Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. Cheung Chun To, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not applicable.

# Management Discussion and Analysis

## **CHANGE IN INFORMATION OF DIRECTORS**

Change in Directors' information of the Company subsequent to the publication of the Annual Report for the year ended 31 March 2016 are set out below.

The basic salary of Mr. Cheung, executive Director and Chairman of the Company, has been increased from HK\$840,000 to HK\$1,200,000 per annum with effect from 1 April 2016.

The basic salary of Mr. Leung, executive Director of the Company, has been increased from HK\$840,000 to HK\$1,200,000 per annum with effect from 1 April 2016.

The basic salary of Ms. Cheung Wing Shun, executive Director of the Company, has been increased from HK\$480,000 to HK\$720,000 per annum with effect from 1 April 2016.

The annual director fee of each of Mr. Wong Siu Ki, Mr. Yue Kwai Wa Ken and Mr. Ngai Hoi Ying, all independent non-executive Directors of the Company, has been revised from HK\$120,000 to HK\$132,000 with effect from 1 April 2016.

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

Save for those disclosed in this report, there were no other significant investments held as at 30 September 2016. The Group did not have other plans for material investments and capital assets as at 30 September 2016.

# Management Discussion and Analysis

## **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, pledged bank deposits 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 2016, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

## **AUDIT COMMITTEE**

The primary duties of the Audit Committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group, internal control and risk management systems of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Group. The Audit Committee consists of three members, namely Mr. Wong Siu Ki, Mr. Yue Kwai Wa Ken and Mr. Ngai Hoi Ying, all being independent non-executive Directors. The interim financial information has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2016.

# Management Discussion and Analysis

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the website of the Company ([www.majorcellar.com](http://www.majorcellar.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2016 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, 29 November 2016

