MAJOR HOLDINGS LIMITED

美捷滙控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1389

* For identification purposes only

INTERIM REPORT 2018

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. Yue Kwai Wa Ken
Mr. Ngai Hoi Ying
Mr. Siu Shing Tak

Company secretary
Mr. Sin Chi Keung (HKICPA)

Compliance officer
Ms. Cheung Wing Shun

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

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

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

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

Principal share registrar and transfer office in the Cayman Islands
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong branch share registrar and transfer office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers
Hongkong and Shanghai Banking Corporation
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
Citibank, N.A.

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

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

Stock code
1389

Financial Highlights

For the six months ended 30 September 2018, unaudited operating results of the Group were as follows:

– profit after taxation for the six months ended 30 September 2018 amounted to approximately HK$2.9 million, representing an increase of approximately 16.4% from the corresponding period of the previous financial year;

– basic earnings per share for the six months ended 30 September 2018 based on ordinary shares of 2,400,000,000 in issue was 0.12 HK cents; and

– the Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 2018 together with the unaudited comparative figures for the corresponding period in 2017 as follows:

	Notes	**Six months ended 30 September 2018 (unaudited) HK$'000**	2017 (unaudited) HK$'000
Revenue	4	**91,099**	87,995
Cost of sales		**(71,524)**	(70,236)
Gross profit		**19,575**	17,759
Other income		**6**	785
Other gains and losses, net		**34**	(72)
Promotion, selling and distribution expenses		**(8,259)**	(7,067)
Administrative expenses		**(7,211)**	(7,807)
Profit from operations		**4,145**	3,598
Finance costs	5	**(573)**	(445)
Profit before taxation		**3,572**	3,153
Income tax expense	6	**(684)**	(671)
Profit and total comprehensive income for the period attributable to owners of the Company	7	**2,888**	2,482
		HK cents	HK cents
Earnings per share, basic and diluted	9	**0.12**	0.10

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	**30 September 2018 (unaudited) HK$'000**	31 March 2018 (audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**12,048**	12,953
Trade and rental deposits paid	12	**1,696**	1,878
		13,744	14,831
Current assets			
Inventories		**83,285**	81,057
Trade receivables	11	**17,489**	14,215
Prepayments, deposits and other receivables	12	**16,161**	9,689
Current tax assets		**–**	658
Pledged bank deposits		**4,524**	3,018
Bank and cash balances		**2,548**	19,355
		124,007	127,992
Current liabilities			
Trade payables	13	**2,653**	2,857
Contract liabilities		**1,899**	3,644
Other payables and accrued charges		**1,822**	2,137
Bank borrowings	14	**18,125**	22,939
Finance lease payables		**1,897**	1,842
Current tax liabilities		**15**	–
		26,411	33,419
Net current assets		**97,596**	94,573
Total assets less current liabilities		**111,340**	109,404
Non-current liabilities			
Finance lease payables		**3,230**	4,193
Deferred tax liabilities		**868**	857
		4,098	5,050
NET ASSETS		**107,242**	104,354
Capital and reserves			
Share capital		**3,000**	3,000
Reserves		**104,242**	101,354
TOTAL EQUITY		**107,242**	104,354

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Other reserve HK$'000 (Note ii)	Retained profits HK$'000	Total HK$'000
At 1 April 2018 (audited)	**3,000**	**129,734**	**(104,902)**	**30,483**	**46,039**	**104,354**
Profit and total comprehensive income for the period (unaudited)	**–**	**–**	**–**	**–**	**2,888**	**2,888**
At 30 September 2018 (unaudited)	**3,000**	**129,734**	**(104,902)**	**30,483**	**48,927**	**107,242**
At 1 April 2017 (audited)	3,000	129,734	(104,902)	30,483	39,397	97,712
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	2,482	2,482
At 30 September 2017 (unaudited)	3,000	129,734	(104,902)	30,483	41,879	100,194

Notes:

(i) The capital reserve represents the difference between the nominal value of the share capital of Major Cellar Company Limited ("Major Cellar") at the date on which it was acquired by Beyond Elite Limited and the deemed consideration of HK$104,912,000 settled by issuance of 100 shares by the Company pursuant to the corporate reorganisation completed on 28 August 2013.

(ii) The other reserve represents deemed contribution from Rouge & Blanc Wines Limited ("Rouge & Blanc") regarding the waiver of amount due to Rouge & Blanc effective on 1 April 2012 which arose from the transfer of wine and spirit products and furniture and fixtures from Rouge & Blanc to Major Cellar on 31 March 2010. Rouge & Blanc is controlled by Mr. Cheung Chun To and Mr. Leung Chi Kin Joseph, directors and shareholders of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended 30 September 2018 (unaudited) HK$'000	2017 (unaudited) HK$'000
Net cash (used in)/generated from operating activities	**(8,947)**	4,208
Change in pledged bank deposits	**(1,506)**	(6)
Other investing cash flows (net)	**(61)**	(726)
Net cash used in investing activities	**(1,567)**	(732)
Repayment of bank borrowings	**(33,894)**	(33,644)
Bank borrowings raised	**29,081**	25,189
Other financing cash flows	**(1,480)**	(1,310)
Net cash used in financing activities	**(6,293)**	(9,765)
Net decrease in cash and cash equivalents	**(16,807)**	(6,289)
Cash and cash equivalents at beginning of the period	**19,355**	11,584
Cash and cash equivalents at end of the period, represented by bank and cash balances	**2,548**	5,295

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 March 2018. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 March 2018 except as stated below.

(a) Financial assets

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

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

(i) Financial assets at amortised cost

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

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

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

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

(b) Loss allowances for expected credit losses

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

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

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

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

(c) Revenue from contracts with customers

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

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

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

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

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

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

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

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

(a) HKFRS 15 "Revenue from Contracts with Customers"

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

	HK$'000
At 31 March 2018:	
Decrease in trade deposits received	(3,644)
Increase in contract liabilities	3,644

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount. The Group's operation is solely derived from sale and distribution of premium wine and spirits products and wine accessory products in Hong Kong for both periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in notes to the consolidated financial statements for the year ended 31 March 2018 except as stated in note 2 to the condensed consolidated financial statements. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Red wine	**78,141**	74,632
White wine	**4,539**	5,529
Sparkling wine	**2,612**	1,703
Spirits	**5,347**	6,025
Wine accessory products	**459**	106
Other products	**1**	–
	91,099	87,995

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered and the Group's property, plant and equipment amounting to approximately HK$12,048,000 (31 March 2018: approximately HK$12,953,000) as at 30 September 2018 are all located in Hong Kong by physical location of assets.

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

5. FINANCE COSTS

	Six months ended 30 September 2018 (unaudited) HK$'000	2017 (unaudited) HK$'000
Interests on:		
Bank borrowings	**414**	230
Obligations under finance leases	**159**	215
	573	445

6. INCOME TAX EXPENSE

	Six months ended 30 September 2018 (unaudited) HK$'000	2017 (unaudited) HK$'000
Current tax – Hong Kong Profits Tax	**673**	210
Deferred tax	**11**	461
	684	671

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

7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Directors' remuneration	**1,785**	1,785
Staff costs including directors' emoluments		
Salaries and other benefits	**6,223**	6,058
Sales commission	**932**	746
Retirement benefits scheme contributions	**257**	220
Total staff costs	**7,412**	7,024
Depreciation of property, plant and equipment	**971**	945
Operating lease charges in respect of office premises, warehouses and retail shops	**3,484**	2,745

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (30 September 2017: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Earnings:		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**2,888**	2,482
	'000	'000
Number of shares:		
Weighted average number of ordinary shares used in basic earnings per share calculation	**2,400,000**	2,400,000

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK$66,000 (year ended 31 March 2018: approximately HK$916,000).

At 30 September 2018, the carrying values of yacht included in the amounts of approximately HK$10,767,000 (31 March 2018: approximately HK$11,447,000) in respect of assets held under finance leases.

11. TRADE RECEIVABLES

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

	As at 30 September 2018 (unaudited) HK$'000	As at 31 March 2018 (audited) HK$'000
0 to 30 days	**5,326**	10,704
31 to 60 days	**4,208**	2,951
61 to 90 days	**324**	260
Over 90 days	**7,631**	300
	17,489	14,215

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2018 (unaudited) HK$'000	As at 31 March 2018 (audited) HK$'000
Trade deposits paid, rental, utilities and other deposits	**11,038**	10,856
Prepayments and other receivables	**6,819**	711
Total prepayments, deposits and other receivables	**17,857**	11,567
Analysed as:		
Current assets	**16,161**	9,689
Non-current assets	**1,696**	1,878
	17,857	11,567

13. TRADE PAYABLES

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

	As at 30 September 2018 (unaudited) HK$'000	As at 31 March 2018 (audited) HK$'000
0 to 30 days	**1,191**	1,018
31 to 60 days	**144**	580
61 to 90 days	**260**	247
Over 90 days	**1,058**	1,012
	2,653	2,857

14. BANK BORROWINGS

	As at 30 September 2018 (unaudited) HK$'000	As at 31 March 2018 (audited) HK$'000
Secured import loans	**14,326**	12,997
Unsecured import loans	**3,799**	9,942
	18,125	22,939

As at 30 September 2018 and 31 March 2018, the secured bank borrowings were secured by pledged bank deposits. All the bank borrowings were guaranteed by the Company.

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Sales to related parties		
– Mr. Cheung Chun To	**624**	370
– Mr. Leung Chi Kin Joseph	**–**	497
– Ms. Cheung Wing Shun	**19**	–
– Major Watch Company Limited ("Major Watch") (Note i)	**–**	5
	643	872
Rental expense in respect of warehouse paid or payable to Mr. Leung Chi Kin Joseph (Note ii)	**240**	240
Rental expense in respect of warehouse paid or payable to Health Sunrise Limited (Note iii)	**499**	–

Notes:

i) Major Watch is a private limited company, which is non-wholly owned and controlled by Mr. Cheung Chun To, one of the controlling shareholders.

ii) As at 30 September 2018, the Group has commitments for future minimum lease payments in respective of warehouse to Mr. Leung Chi Kin Joseph, who is an executive director of the Company, amounted to HK$240,000 (31 March 2018: Nil).

iii) As at 30 September 2018, the Group has commitments for future minimum lease payments in respect of warehouse with Health Sunrise Limited, being a company wholly owned by Ms. Lin Shuk Shuen, the spouse of company director Mr. Cheung Chun To, amounted to HK$3,645,000 (31 March 2018: Nil).

(b) Compensation of key management personnel

The remuneration of the directors and other members of key management which were determined by reference to the Group's performance during the six months ended 30 September 2018 and 2017 were as follows:

	Six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Short-term benefits	**2,358**	2,412
Post-employment benefits	**47**	46
	2,405	2,458

16. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2018, a wholly-owned subsidiary of the Company (the "Purchaser") and Mr. Zheng Huanming (the "Vendor") entered into a sale and purchase agreement (the "Acquisition") pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of The Wine Cave Company Limited (the "Target Company") for a consideration of HK$52,000,000, which shall be satisfied as to (i) HK$49,920,000 by way of allotment and issue of 480,000,000 shares to the Vendor credited as fully paid and (ii) HK$2,080,000 by cash. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company, and all the financial results and assets and liabilities of the Target Company will be consolidated to the financial statements of the Group.

The Target Company is principally engaged in trading of wine, wine storage and wine consignment services.

The Acquisition was completed on 20 November 2018, whereby the Company allotted 480,000,000 shares to the Vendor as consideration shares on 20 November 2018.

17. APPROVAL OF FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 November 2018.

BUSINESS REVIEW AND OUTLOOK

Hong Kong's retail markets has continued to improve. The value of total retail sales by type of retail outlet increased from approximately HK$325.0 billion for the nine months ended 30 September 2017 to approximately HK$361.3 billion for the nine months ended 30 September 2018, representing an increase of approximately 11.2%, as released by the "Report on Monthly Survey of Retail Sales" in September 2018 by the Census and Statistics Department. During the six months ended 30 September 2018, the Group's revenue increased by 3.5% to approximately HK$91.1 million (2017: HK$88.0 million). The increase was mainly due to the increase of the sales of red wine from approximately HK$74.6 million for the six months ended 30 September 2017 to approximately HK$78.1 million for the six months ended 30 September 2018.

Facing the uncertain global economic outlook, including the US-Sino Trade War challenge, the soft or hard landing effects of Brexit in the EU, the persistent strong USD against other currencies, the vulnerable Hong Kong retail market and intensified competition in premium wine industry, the overall business environment has been unstable and challenging for the six months ended 30 September 2018.

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 and marketing channels, adjust its sales and marketing strategies and customize its inventory portfolio.

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

RECENT DEVELOPMENT

On 9 August 2018, a wholly-owned subsidiary of the Company (the "Purchaser") and Mr. Zheng Huanming (the "Vendor") entered into a sale and purchase agreement (the "Acquisition") pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of The Wine Cave Company Limited (the "Target Company") for a consideration of HK$52,000,000, which shall be satisfied as to (i) HK$49,920,000 by way of allotment and issue of 480,000,000 shares to the Vendor credited as fully paid and (ii) HK$2,080,000 by cash. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company, and all the financial results and assets and liabilities of the Target Company will be consolidated to the financial statements of the Group.

The Target Company is principally engaged in trading of wine, wine storage and wine consignment services.

The Acquisition was completed on 20 November 2018, whereby the Company allotted 480,000,000 shares to the Vendor as consideration shares on 20 November 2018.

Apart from this deal, the Group will continue to seek for 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 increased by approximately 3.5% from approximately HK$88.0 million for the six months ended 30 September 2017 to approximately HK$91.1 million for the six months ended 30 September 2018.

Gross profit

Gross profit of the Group increased by approximately 10.2% from approximately HK$17.8 million for the six months ended 30 September 2017 to approximately HK$19.6 million for the six months ended 30 September 2018. The change was mainly attributable to the increase of revenue of the Group for the six months ended 30 September 2018.

Promotion, selling and distribution expenses and administrative expenses

Promotion, selling and distribution expenses of the Group increased by approximately 16.9% from approximately HK$7.1 million for the six months ended 30 September 2017 to approximately HK$8.3 million for the six months ended 30 September 2018. The change was mainly attributable to the increase in rent and rates expenses, and salary expenses.

Administrative expenses of the Group decreased by approximately 7.7% from approximately HK$7.8 million for the six months ended 30 September 2017 to approximately HK$7.2 million for the six months ended 30 September 2018. The decrease was mainly attributable to the decrease of legal and professional fees and motor vehicle expenses.

Depreciation of property, plant and equipment

The depreciation on property, plant and equipment of the Group increased by approximately 2.8% from approximately HK$945,000 for the six months ended 30 September 2017 to approximately HK$971,000 for the six months ended 30 September 2018.

Finance costs

Finance costs of the Group increased by approximately 28.8% from approximately HK$445,000 for the six months ended 30 September 2017 to approximately HK$573,000 for the six months ended 30 September 2018. The increase is mainly attributable to the interest paid for the increase in bank borrowings.

Income tax expense

Income tax expense for the Group increased by approximately 1.9% from approximately HK$671,000 for the six months ended 30 September 2017 to approximately HK$684,000 for the six months ended 30 September 2018. The increase was mainly due to the increase of estimated assessable profit during the six months ended 30 September 2018 as compared to the corresponding period in 2017.

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 increased by approximately 16.4% from approximately HK$2.5 million for the six months ended 30 September 2017 to approximately HK$2.9 million for the six months ended 30 September 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (30 September 2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 30 September 2018 (unaudited)	As at 31 March 2018 (audited)
Current assets	**HK$124,007,000**	HK$127,992,000
Current liabilities	**HK$26,411,000**	HK$33,419,000
Current ratio	**4.70**	3.83

The current ratio of the Group at 30 September 2018 was approximately 4.70 times as compared to that of approximately 3.83 times at 31 March 2018. It was mainly resulted from the approximately 21.0% decrease in bank borrowings and the approximately 14.7% decrease in other payables and accrued charges. At 30 September 2018, the Group had total bank and cash balances and pledged bank deposits of approximately HK$7.1 million (31 March 2018: approximately HK$22.4 million). At 30 September 2018, the Group's gearing ratio (represented by the sum of obligations under finance leases and bank borrowings divided by equity) amounted to approximately 21.7% (31 March 2018: approximately 27.8%). The Group's borrowings have not been hedged by any interest rate financial instruments. The Group's financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements.

COMMITMENTS

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$9,464,000 as at 30 September 2018 (31 March 2018: HK$7,491,000). As at 30 September 2018 and 31 March 2018, the Group did not have any significant capital commitments.

PLEDGE OF ASSETS

As at 30 September 2018, the Group pledged its bank balance of approximately HK$4.5 million (31 March 2018: approximately HK$3.0 million) as securities for banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2018 (31 March 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed a total of 41 full-time and 2 part-time employees (31 March 2018: 41 full-time and 1 part-time employees) respectively. The staff costs, including Directors' emoluments, of the Group were approximately HK$7.4 million for the six months ended 30 September 2018 (30 September 2017: HK$7.0 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

Save as disclosed in this interim report, during the six months ended 30 September 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

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

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

So far as were known to the Directors or chief executive of the Company, based on publicly available information as at 30 September 2018, 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/ Nature of Interest	Number of shares	Approximate percentage of shareholding
Mr. Cheung Chun To	Interest in controlled corporation (Note 1)	761,000,000 shares	31.71%
Mr. Cheung Chun To	Interest of Spouse (Note 1)	11,140,000 shares	0.46%
Mr. Leung Chi Kin Joseph	Interest in controlled corporation (Note 2)	739,500,000 shares	30.81%

Notes:

1. Mr. Cheung Chun To beneficially owns the entire shareholding interests in Silver Tycoon Limited. Therefore, Mr. Cheung Chun To is deemed to be interested in the 761,000,000 shares held by Silver Tycoon Limited. Ms. Lin Shuk Shuen, being the spouse of Mr. Cheung Chun To, beneficially owns 11,140,000 shares in the Company. As a consequence, Mr. Cheung Chun To is deemed to be interested in 772,140,000 shares in the Company.

2. Mr. Leung Chi Kin Joseph beneficially owns the entire shareholding interests in High State Investments Limited. Therefore, Mr. Leung Chi Kin Joseph is deemed to be interested in the 739,500,000 shares held by High State Investments Limited.

Save as disclosed above, as at 30 September 2018, 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 2018, so far as it were known to the Directors or chief executive of the Company, based on publicly available information, the following persons (other than a director or chief executive of the Company) has interests or short positions in the shares and underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of shares	Approximate percentage of shareholding
Silver Tycoon Limited	Beneficial Owner (Note 1)	761,000,000 shares	31.71%
High State Investments Limited	Beneficial Owner (Note 2)	739,500,000 shares	30.81%
Ms. Lin Shuk Shuen	Interest of Spouse and Beneficial Owner (Note 3)	772,140,000 shares	32.17%
Ms. Ma Pui Ying	Interest of Spouse (Note 4)	739,500,000 shares	30.81%

Notes:

1. Mr. Cheung Chun To beneficially owns the entire shareholding interests in Silver Tycoon Limited. Therefore, Mr. Cheung Chun To is deemed to be interested in the 761,000,000 shares held by Silver Tycoon Limited.

2. Mr. Leung Chi Kin Joseph beneficially owns the entire shareholding interests in High State Investments Limited. Therefore, Mr. Leung Chi Kin Joseph is deemed to be interested in the 739,500,000 shares held by High State Investments Limited.

3. Ms. Lin Shuk Shuen is the spouse of Mr. Cheung Chun To, by virtue of the SFO, is therefore deemed to be interested in all the shares held/owned by Mr. Cheung Chun To (by himself and through Silver Tycoon Limited), and together with the 11,140,000 shares beneficially owned by her.

4. Ms. Ma Pui Ying is the spouse of Mr. Leung Chi Kin Joseph and is therefore deemed to be interested in all the shares held/owned by Mr. Leung Chi Kin Joseph (by himself and through High State Investments Limited) by virtue of the SFO.

Save as disclosed above, as at 30 September 2018, 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 2018 Annual Report. During the six months ended 30 September 2018, no option was granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the six months ended 30 September 2018.

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 2018 or at any time during the six months ended 30 September 2018.

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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has confirmed, having made specific enquiry to the Directors, all the Directors have complied with the Model Code during the six months ended 30 September 2018.

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 2018 save for the deviation stated below:

According to the code provision A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Siu Shing Tak, an independent non-executive Director, did not attend the annual general meeting of the Company held on 10 August 2018 due to his business engagement.

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

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

There were no significant investments held as at 30 September 2018. The Group did not have other plans for material investments and capital assets as at 30 September 2018.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

FOREIGN EXCHANGE EXPOSURE

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

As at 30 September 2018, 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. Siu Shing Tak, Mr. Yue Kwai Wa Ken and Mr. Ngai Hoi Ying, all being independent non-executive Directors. The interim financial information has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of the Company (www.majorcellar.com) and the Stock Exchange (www.hkexnews.hk). The 2018 interim report will be dispatched to shareholders and available on the above websites in due course.

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

Hong Kong, 28 November 2018