

The background of the entire page is a photograph of a modern restaurant interior. The lighting is warm and orange-toned. On the left, there is a long, dark-colored booth with several square tables in front of it. The ceiling features decorative, bird-like light fixtures. On the right, more tables and chairs are visible, extending into the distance. The overall atmosphere is clean and contemporary.

大快活  
Fairwood



2015-16  
INTERIM REPORT

FAIRWOOD HOLDINGS LIMITED  
(Incorporated in Bermuda with Limited Liability)  
(Stock Code: 52)



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Dennis Lo Hoi Yeung  
(Executive Chairman)

Chan Chee Shing  
(Chief Executive Officer)

Mak Yee Mei

#### Non-executive Director

Ng Chi Keung

#### Independent Non-executive Directors

Joseph Chan Kai Nin

Peter Lau Kwok Kuen

Tony Tsoi Tong Hoo

Peter Wan Kam To

### AUDIT COMMITTEE

Peter Wan Kam To (Chairman)

Ng Chi Keung

Joseph Chan Kai Nin

Tony Tsoi Tong Hoo

### REMUNERATION COMMITTEE

Joseph Chan Kai Nin (Chairman)

Ng Chi Keung

Peter Lau Kwok Kuen

### NOMINATION COMMITTEE

Dennis Lo Hoi Yeung (Chairman)

Peter Lau Kwok Kuen

Peter Wan Kam To

### COMPANY SECRETARY

Mak Yee Mei

### AUDITOR

KPMG

### SOLICITORS

Mayer Brown JSM

Reed Smith Richards Butler

### PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited  
Unit A, 29/F, Admiralty Centre 1  
18 Harcourt Road, Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
BNP Paribas Hong Kong Branch  
The Bank of East Asia, Limited  
The Bank of Tokyo-Mitsubishi UFJ, Limited  
China Construction Bank (Asia)  
Corporation Limited  
Chong Hing Bank Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank (Hong Kong)  
Limited  
UBS AG

### REGISTERED OFFICE

Canon's Court, 22 Victoria Street  
Hamilton HM12, Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2/F, TRP Commercial Centre  
18 Tanner Road, North Point, Hong Kong

### PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.  
Canon's Court, 22 Victoria Street  
Hamilton HM12, Bermuda

### HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
Rooms 1712-6, 17/F, Hopewell Centre  
183 Queen's Road East, Hong Kong

### WEBSITE

[www.fairwoodholdings.com.hk](http://www.fairwoodholdings.com.hk)

### STOCK CODE

52



## Interim Results

The Board of Directors (the “Board”) of Fairwood Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2015 together with the comparative figures for the six months ended 30 September 2014. The results have been reviewed by the Company’s auditors, KPMG, and the Company’s audit committee.

### Consolidated Income Statement

For the six months ended 30 September 2015 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2015 \$'000	2014 \$'000
<b>Turnover</b>	4	<b>1,176,124</b>	1,128,766
Cost of sales		<b>(983,234)</b>	(959,111)
<b>Gross profit</b>		<b>192,890</b>	169,655
Other revenue	5	<b>4,149</b>	3,081
Other net (loss)/income	5	<b>(4,096)</b>	592
Net gain on disposal of non-current assets held for sale	12	<b>11,710</b>	–
Selling expenses		<b>(14,102)</b>	(17,325)
Administrative expenses		<b>(61,297)</b>	(53,238)
Valuation (loss)/gain on investment properties	10(a)	<b>(1,420)</b>	2,692
Impairment losses on fixed assets	10(b)	<b>(6,704)</b>	(8,355)
<b>Profit from operations</b>		<b>121,130</b>	97,102
Finance costs	6(a)	<b>(97)</b>	(36)
<b>Profit before taxation</b>	6	<b>121,033</b>	97,066
Income tax	7	<b>(19,080)</b>	(21,757)
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>101,953</b>	75,309
<b>Earnings per share</b>			
Basic	9(a)	<b>80.63 cents</b>	59.78 cents
Diluted	9(b)	<b>80.13 cents</b>	59.35 cents

The notes on pages 11 to 28 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

## Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2015 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2015	2014
	\$'000	\$'000
<b>Profit for the period attributable to equity shareholders of the Company</b>	<b>101,953</b>	75,309
<b>Other comprehensive income for the period (after tax):</b>		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of Mainland China subsidiaries	<b>(1,884)</b>	206
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b>100,069</b>	75,515

The notes on pages 11 to 28 form part of this interim financial report.



# Consolidated Statement of Financial Position

At 30 September 2015 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2015 \$'000	At 31 March 2015 \$'000
<b>Non-current assets</b>			
Fixed assets	10		
– Investment properties		39,360	40,780
– Other property, plant and equipment		348,683	335,403
– Interests in leasehold land held for own use under operating leases		6,722	6,828
		<b>394,765</b>	383,011
Goodwill		1,001	1,001
Rental deposits paid		55,234	51,470
Other financial assets	11	8,528	8,835
Deferred tax assets		427	427
		<b>459,955</b>	444,744
<b>Current assets</b>			
Non-current assets held for sale	12	–	19,283
Inventories	13	39,105	38,517
Trade and other receivables	14	65,128	60,373
Other financial assets	11	–	89
Current tax recoverable		–	72
Bank deposits and cash	15	581,619	419,022
		<b>685,852</b>	537,356
<b>Current liabilities</b>			
Trade and other payables	16	342,430	290,972
Dividends payable		66,044	–
Bank loans		4,387	4,387
Current tax payable		25,950	12,824
Provisions	18	11,822	11,664
		<b>450,633</b>	319,847

## Consolidated Statement of Financial Position

At 30 September 2015 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
Note		
<b>Net current assets</b>	<b>235,219</b>	217,509
<b>Total assets less current liabilities</b>	<b>695,174</b>	662,253
<b>Non-current liabilities</b>		
Bank loans	4,443	6,636
Deferred tax liabilities	15,987	16,924
Rental deposits received	2,007	1,765
Provisions	18 39,769	36,764
	<b>62,206</b>	62,089
<b>NET ASSETS</b>	<b>632,968</b>	600,164
<b>Capital and reserves</b>		
Share capital	126,815	126,341
Reserves	506,153	473,823
<b>TOTAL EQUITY</b>	<b>632,968</b>	600,164

The notes on pages 11 to 28 form part of this interim financial report.



## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	
<b>At 1 April 2014 (audited)</b>		125,465	2,678	3,666	4,685	768	398,000	535,262
<b>Changes in equity for the six months ended 30 September 2014:</b>								
Profit for the period		-	-	-	-	-	75,309	75,309
Other comprehensive income for the period		-	-	-	206	-	-	206
Total comprehensive income for the period		-	-	-	206	-	75,309	75,515
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(49,295)	(49,295)
Shares issued under share option scheme	17	932	5,787	-	-	-	-	6,719
Issue expenses		-	(27)	-	-	-	-	(27)
Equity-settled share-based transactions	6, 17	-	1,747	(1,669)	-	-	-	78
		932	7,507	(1,669)	206	-	26,014	32,990
<b>At 30 September 2014 (unaudited)</b>		126,397	10,185	1,997	4,891	768	424,014	568,252

## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total \$'000
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	
<b>At 1 October 2014 (unaudited)</b>		126,397	10,185	1,997	4,891	768	424,014	568,252
<hr/>								
<b>Changes in equity for the six months ended 31 March 2015:</b>								
Profit for the period		-	-	-	-	-	68,658	68,658
Other comprehensive income for the period		-	-	-	(60)	-	-	(60)
<hr/>								
Total comprehensive income for the period		-	-	-	(60)	-	68,658	68,598
Dividends approved in respect of the previous year	8(a)	-	-	-	-	-	(35,370)	(35,370)
Shares issued under share option scheme	17	46	335	-	-	-	-	381
Issue expenses		-	(24)	-	-	-	-	(24)
Equity-settled share-based transactions	6, 17	-	89	(23)	-	-	-	66
Repurchase of own shares – par value paid		(102)	-	-	-	-	-	(102)
– premium and transaction costs paid		-	(1,637)	-	-	-	-	(1,637)
<hr/>								
		(56)	(1,237)	(23)	(60)	-	33,288	31,912
<hr/>								
<b>At 31 March 2015 (audited)</b>		126,341	8,948	1,974	4,831	768	457,302	600,164



## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total \$'000
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	
At 1 April 2015 (audited)		126,341	8,948	1,974	4,831	768	457,302	600,164
<b>Changes in equity for the six months ended 30 September 2015:</b>								
Profit for the period		-	-	-	-	-	101,953	101,953
Other comprehensive income for the period		-	-	-	(1,884)	-	-	(1,884)
Total comprehensive income for the period		-	-	-	(1,884)	-	101,953	100,069
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(66,044)	(66,044)
Shares issued under share option scheme	17	870	5,461	-	-	-	-	6,331
Issue expenses		-	(17)	-	-	-	-	(17)
Equity-settled share-based transactions	6, 17	-	1,127	-	-	-	-	1,127
Repurchase of own shares – par value paid	19	(396)	-	-	-	-	-	(396)
– premium and transaction costs paid		-	(8,266)	-	-	-	-	(8,266)
Disposal of land and buildings	12	-	-	-	-	(241)	241	-
		474	(1,695)	-	(1,884)	(241)	36,150	32,804
At 30 September 2015 (unaudited)		126,815	7,253	1,974	2,947	527	493,452	632,968

The notes on pages 11 to 28 form part of this interim financial report.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2015 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2015 \$'000	2014 \$'000
<b>Operating activities</b>			
Cash generated from operations		<b>188,578</b>	161,957
Net tax paid		<b>(6,819)</b>	(6,136)
<b>Net cash generated from operating activities</b>		<b>181,759</b>	155,821
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		<b>(45,710)</b>	(56,154)
Net proceeds from disposal of non-current assets held for sale	12	<b>30,993</b>	–
Other cash flows arising from investing activities		<b>99</b>	385
<b>Net cash used in investing activities</b>		<b>(14,618)</b>	(55,769)
<b>Financing activities</b>			
Proceeds from shares issued under share options scheme	17	<b>6,331</b>	6,719
Payment for repurchase of own shares	19	<b>(8,662)</b>	–
Net repayment of bank loans		<b>(2,194)</b>	(7,701)
Other cash flows arising from financing activities		<b>(19)</b>	(27)
<b>Net cash used in financing activities</b>		<b>(4,544)</b>	(1,009)
<b>Net increase in cash and cash equivalents</b>		<b>162,597</b>	99,043
<b>Cash and cash equivalents at 1 April</b>		<b>419,022</b>	326,058
<b>Cash and cash equivalents at 30 September</b>	15	<b>581,619</b>	425,101

The notes on pages 11 to 28 form part of this interim financial report.



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 26 November 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 29 and 30. In addition, this interim financial report has been reviewed by the Company’s audit committee.

## **1 Basis of preparation** *(continued)*

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 June 2015.

## **2 Changes in accounting policies**

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- *Amendments to HKAS 19, Employee benefits*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



### 3 Segment reporting

The Group manages its businesses by two divisions, namely Hong Kong restaurants and Mainland China restaurants, which are organised by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Hong Kong restaurants: this segment operates fast food restaurants in Hong Kong.
- Mainland China restaurants: this segment operates fast food restaurants in Mainland China.

Other segments generate profits mainly from leasing of investment properties and include corporate expenses.

#### (a) *Segment results*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results of each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Performance is measured based on segment profit before taxation. Items not specifically attributable to individual segments are not allocated to the reportable segments.

### 3 Segment reporting (continued)

#### (a) Segment results (continued)

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment revenue) and cost of sales (including food cost, labour cost, rent and rates and depreciation). The inter-segment transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices and in the ordinary course of business.

Segment assets information is not reported or used by the Group's most senior executive management.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

#### **For the six months ended 30 September**

	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue from external customers	1,101,210	1,029,966	71,180	95,990	3,734	2,810	1,176,124	1,128,766
Inter-segment revenue	-	-	-	-	2,500	2,500	2,500	2,500
<b>Reportable segment revenue</b>	<b>1,101,210</b>	<b>1,029,966</b>	<b>71,180</b>	<b>95,990</b>	<b>6,234</b>	<b>5,310</b>	<b>1,178,624</b>	<b>1,131,266</b>
<b>Reportable segment profit/(loss)</b>	<b>109,295</b>	<b>102,597</b>	<b>2,161</b>	<b>(4,664)</b>	<b>5,951</b>	<b>4,497</b>	<b>117,407</b>	<b>102,430</b>



### 3 Segment reporting (continued)

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
<b>Profit</b>		
Reportable segment profit before taxation	<b>117,407</b>	102,430
Net gain on disposal of non-current assets held for sale	<b>11,710</b>	–
Change in fair value of other financial assets		
at fair value through profit or loss	–	170
Change in fair value of other financial liabilities		
at fair value through profit or loss	<b>40</b>	129
Valuation (loss)/gain on investment properties	<b>(1,420)</b>	2,692
Impairment losses on fixed assets	<b>(6,704)</b>	(8,355)
Consolidated profit before taxation	<b>121,033</b>	97,066

### 4 Turnover

The principal activities of the Group are operation of fast food restaurants and property investments.

Turnover represents the sales value of food and beverages sold to customers and rental income. An analysis of turnover is as follows:

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Sale of food and beverages	<b>1,172,390</b>	1,125,956
Property rental	<b>3,734</b>	2,810
	<b>1,176,124</b>	1,128,766

## 5 Other revenue and net (loss)/income

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
<b>Other revenue</b>		
Interest income	<b>4,149</b>	3,081
<b>Other net (loss)/income</b>		
Electric and gas range incentives	<b>1,506</b>	1,913
Profit on sale of redemption gifts	<b>596</b>	647
Net foreign exchange (loss)/gain	<b>(5,270)</b>	1,704
Net loss on disposal of fixed assets	<b>(1,702)</b>	(859)
Compensation for early termination of tenancy leases	–	(3,601)
Others	<b>774</b>	788
	<b>(4,096)</b>	592

## 6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest on bank borrowings	<b>137</b>	335
Change in fair value of other financial liabilities at fair value through profit or loss	<b>(40)</b>	(129)
Change in fair value of other financial assets at fair value through profit or loss	–	(170)
	<b>97</b>	36



## 6 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
(b) Other items		
Cost of inventories (Note)	<b>294,100</b>	292,614
Depreciation of fixed assets	<b>38,972</b>	41,161
Amortisation of interests in leasehold land held for own use under operating leases	<b>106</b>	106
Equity-settled share-based payment expenses	<b>1,127</b>	78

Note: The cost of inventories represents food and beverage costs.

## 7 Income tax

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
<b>Current tax</b>		
Provision for Hong Kong Profits Tax	<b>20,017</b>	16,667
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(937)</b>	5,090
	<b>19,080</b>	21,757

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 September 2015.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2015 and 2014 as the Group's Mainland China operations sustained a loss for taxation purpose for both periods.

## 8 Dividends

- (a) *Dividends payable to equity shareholders of the Company attributable to the interim period*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Interim dividend declared and payable after the interim period of 31.0 cents (2014: 28.0 cents) per share	<b>39,313</b>	35,370
Special interim dividend declared and payable after the interim period of 9.0 cents (2014: Nil) per share	<b>11,413</b>	–
	<b>50,726</b>	35,370

The interim and special interim dividends have not been recognised as a liability at the end of the reporting period.

- (b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and payable during the interim period*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Final dividend in respect of the previous financial year ended 31 March 2015, approved and payable during the following interim period, of 52.0 cents (year ended 31 March 2014: 39.0 cents) per share	<b>66,044</b>	49,295

In respect of the final dividend for the year ended 31 March 2015, there is a difference of \$347,000 (year ended 31 March 2014: \$364,000) between the final dividend disclosed in the 2015 annual financial statements and amounts approved and payable during the period. The difference represents dividends attributable to (i) shares repurchased and (ii) new shares issued upon the exercise of share options, before the closing date of the Register of Members.



## 9 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2015 is based on the profit attributable to ordinary equity shareholders of the Company of \$101,953,000 (2014: \$75,309,000) and the weighted average number of ordinary shares of 126,453,000 shares (2014: 125,974,000 shares) in issue during the period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2015 is based on the profit attributable to ordinary equity shareholders of the Company of \$101,953,000 (2014: \$75,309,000) and the weighted average number of ordinary shares of 127,237,000 shares (2014: 126,899,000 shares), calculated as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>Number</b>	Number of
	<b>of shares</b>	shares
	<b>'000</b>	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>126,453</b>	125,974
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	<b>784</b>	925
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>127,237</b>	126,899
	<hr/> <hr/>	<hr/> <hr/>

## 10 Fixed assets

- (a) All investment properties of the Group were revalued as at 30 September 2015 by using direct comparison approach with reference to the market price of comparable properties and adjusted for building quality and timing of the reference transactions. The valuations were carried out by an independent firm of surveyors, Asset Appraisal Limited, who has staff with recognised professional qualifications and recent experience in the location and category of property being valued. Based on the valuations, a loss of \$1,420,000 (six months ended 30 September 2014: a gain of \$2,692,000) has been charged to the consolidated income statement.
- (b) During the six months ended 30 September 2015, the Group's management identified certain branches which continued to under-perform and estimated the recoverable amounts of the fixed assets of those branches. Based on these estimates, the carrying amount of the fixed assets was written down by \$6,704,000 (six months ended 30 September 2014: \$8,355,000). The estimates of recoverable amount were based on the fixed assets' value in use, determined using a discount rate of 15% (six months ended 30 September 2014: 13%). During the six months ended 30 September 2015, the recoverable amount of one of these branches amounted to \$1,709,000 based on value in use. Apart from this, the recoverable amounts of the remaining impaired fixed assets were minimal for both six months ended 30 September 2014 and 2015.
- (c) During the six months ended 30 September 2015, the Group acquired items of fixed assets with a cost of \$59,156,000 (six months ended 30 September 2014: \$73,937,000). Items of fixed assets with a net book value of \$1,712,000 were disposed of during the six months ended 30 September 2015 (six months ended 30 September 2014: \$1,244,000).
- (d) At 30 September 2015, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$1,572,000 (31 March 2015: \$1,622,000).



## 11 Other financial assets

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
<b>Non-current financial assets</b>		
Held-to-maturity debt security – Unlisted but quoted	<b>8,528</b>	8,835
<b>Current financial assets</b>		
Forward foreign exchange contract	–	89
	<b>8,528</b>	8,924

The debt security was issued by a financial institution in Mainland China, denominated in Renminbi, bore interest at a rate of 3.6% per annum and had a term of five years from 13 November 2013 to 13 November 2018.

## 12 Non-current assets held for sale

During the year ended 31 March 2015, a sale and purchase agreement was entered into with a third party to dispose of certain leasehold land and buildings and investment properties with net proceeds of \$30,993,000. These properties were presented as non-current assets held for sale as at 31 March 2015. The transaction was completed on 30 April 2015 and a net gain on disposal of \$11,710,000 was recognised during the six months ended 30 September 2015. Land and buildings revaluation reserve related to the disposed properties amounting to \$241,000 were transferred to retained profits.

### 13 Inventories

(a) *Inventories in the consolidated statement of financial position comprise:*

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
Food and beverages	<b>36,212</b>	35,163
Consumables, packaging materials and other sundry items	<b>2,893</b>	3,354
	<b>39,105</b>	38,517

(b) *The analysis of the amount of inventories recognised as an expense is as follows:*

	<b>Six months ended 30 September 2015 \$'000</b>	2014 \$'000
Carrying amount of inventories sold	<b>293,620</b>	292,270
Write down of inventories	<b>480</b>	344
	<b>294,100</b>	292,614



## 14 Trade and other receivables

All trade and other receivables of the Group, apart from certain utility deposits totalling \$3,844,000 (31 March 2015: \$3,920,000), are expected to be recovered or recognised as expenses within one year.

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts), based on the invoice date, with the following ageing analysis:

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
1 to 30 days	<b>2,645</b>	1,831
31 to 90 days	<b>1</b>	327
	<b>2,646</b>	2,158

The Group's sales to customers are mainly on a cash basis. The Group also grants credit terms of 30 to 75 days to certain customers to which the Group provides catering services.

## 15 Bank deposits and cash

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
Deposits with banks	<b>418,858</b>	233,507
Cash at bank and in hand	<b>162,761</b>	185,515
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>581,619</b>	419,022

## 16 Trade and other payables

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
Creditors and accrued expenses	<b>321,802</b>	267,470
Receipts in advance and deferred income	<b>20,545</b>	23,188
Derivative financial instruments	<b>38</b>	78
Rental deposits received	<b>45</b>	236
	<b>342,430</b>	290,972

Included in trade and other payables are trade creditors, based on the invoice date, with the following ageing analysis:

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
1 to 30 days	<b>99,475</b>	86,944
31 to 90 days	<b>10,397</b>	454
91 to 180 days	<b>2,184</b>	61
181 to 365 days	<b>120</b>	104
Over one year	<b>688</b>	668
	<b>112,864</b>	88,231

## 17 Equity-settled share-based transactions

During the six months ended 30 September 2015, share options were exercised to subscribe for 870,000 (six months ended 30 September 2014: 932,000) ordinary shares of the Company at a consideration of \$6,331,000 (six months ended 30 September 2014: \$6,719,000), of which \$870,000 (six months ended 30 September 2014: \$932,000) was credited to share capital and the balance of \$5,461,000 (six months ended 30 September 2014: \$5,787,000) was credited to the share premium account. \$1,127,000 (six months ended 30 September 2014: \$1,747,000) has been transferred from the capital reserve to the share premium account upon the exercise of respective share options during the period.



## 18 Provisions

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
Provision for long service payments	12,500	10,700
Provision for reinstatement costs for rented premises	39,091	37,728
	<b>51,591</b>	48,428
Less: Amount included under "current liabilities"	<b>(11,822)</b>	(11,664)
	<b>39,769</b>	36,764

## 19 Purchase of own shares

Month/year	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid \$'000
July 2015	204,000	22.60	21.90	4,550
August 2015	120,000	22.00	20.50	2,597
September 2015	72,000	20.75	20.65	1,491
	<u>396,000</u>			<u>8,638</u>

The above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of \$8,242,000 and \$24,000 respectively were charged to the Group's share premium account.

## 20 Capital commitments

Capital commitments outstanding at 30 September 2015 not provided for in the Group's interim financial report were as follows:

	<b>At 30 September 2015 \$'000</b>	At 31 March 2015 \$'000
Contracted for	<b>19,106</b>	12,910
Authorised but not contracted for	<b>22,319</b>	12,490
	<b>41,425</b>	25,400

## 21 Contingent liabilities

At 30 September 2015, guarantees were given to banks by the Company in respect of mortgage loans and other banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the directors of the Company ("Directors") do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the outstanding amount of the facilities utilised by all the subsidiaries that are covered by the guarantees, being \$75,484,000 (31 March 2015: \$71,934,000).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and there is no transaction price.



## 22 Fair value measurement of financial instruments

### (a) Fair values

#### (i) Fair value hierarchy

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 March 2015 and 30 September 2015, the derivative financial instruments of the Group fall into Level 2.

During the six months ended 30 September 2015, there were no significant transfers between financial instruments in Level 1, Level 2 and Level 3.

#### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of derivative financial instruments is determined by discounting the future cash flows of the contracts at the current market interest rates. The Group uses the interest rate curve of Hong Kong Interbank Offered Rate as of 30 September 2015 plus an adequate constant credit spread to discount derivative financial instruments.

## 22 Fair value measurement of financial instruments (continued)

(b) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2015 and 30 September 2015.

## 23 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 September 2015:

- (a) Remuneration for key management personnel of the Group for the six months ended 30 September 2015 is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Salaries and other short-term employee benefits	<b>9,968</b>	8,649
Contribution to defined contribution retirement plans	<b>27</b>	26
	<b>9,995</b>	8,675

- (b) During the period, a subsidiary of the Company leased a property from New Champion International Limited ("New Champion"). New Champion is a company wholly beneficially owned by Mr Dennis Lo Hoi Yeung and his family members. In addition, Mr Dennis Lo Hoi Yeung is a director of New Champion. Rental expenses incurred during the period amounted to \$1,140,000 (six months ended 30 September 2014: \$840,000).
- (c) During the period, a subsidiary of the Company leased a property from Hibony Limited ("Hibony"). Hibony is a company beneficially owned by Pengto International Limited (a company beneficially owned by a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object). In addition, Mr Dennis Lo Hoi Yeung is a director of Hibony. Rental expenses incurred during the period amounted to \$1,518,000 (six months ended 30 September 2014: \$1,247,000).



# **Independent Review Report to the Board of Directors of Fairwood Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

## **Introduction**

We have reviewed the interim financial report set out on pages 3 to 28 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2015 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2015 is not prepared, in all material respects, in accordance with HKAS 34, *Interim financial reporting*.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong



# Management Discussion and Analysis

## Overall performance

For the six months ended 30 September 2015, the Group achieved favourable turnover totaling HK\$1,176.1 million, up 4.2% from HK\$1,128.8 million compared with the corresponding period last year. Gross profit margin increased to 16.4%. Profit for the period attributable to equity shareholders of the Company rose by 35.4% from HK\$75.3 million to HK\$102.0 million. Profit for the period before the net gain on disposal of non-current assets held for sale amounted to HK\$90.2 million, up by 19.8%. Basic earnings per share were HK80.63 cents (2014: HK59.78 cents).

## Business review

### *Hong Kong*

Capitalising on strong brand power, the Group's Hong Kong business reported satisfactory gains in same store sales and average spending. Such growth was also the result of continual upgrades to our signature dishes and bringing exciting new products to consumers. In addition, our recognizable, vibrant dining environment has become synonymous with the Fairwood brand. We have expanded our network by six stores, accounting for 5% of the total number of stores in operation during the review period. In line with our proactive development strategy, the management has targeted opening stores in locations that are less susceptible to high rental pressure.

Aside from network expansion, the Group's unique, multifaceted business model represents another important component that has contributed to our encouraging performance. The model comprises a global sourcing strategy, effective menu planning that addresses the needs of customers, flexible manpower scheduling, and support from the SAP Enterprise Resources Planning ("ERP") system and a central food processing plant. It is worth noting that the plant is now able to produce differentiated products that are unique to the market. The plant has also been further optimised to achieve better quality with cost efficiency, enabling us to manage food and labour costs more effectively. This supports the streamlining of business operations, thereby increasing margins and profit.

With regards to the specialty restaurant segment, the existing dining concepts have developed at a healthy pace and established a viable business model. Consequently, each of the specialty restaurant brands achieved growth and sustainable profit.

To further bolster our Hong Kong business, the management will introduce new specialty restaurants in the coming half year while remaining vigilant towards potential market pressures. The opening of more specialty stores will continue in the subsequent financial years, as the new businesses gain traction.

As our Group continues to expand, we are becoming more conscious of growing our talented workforce. Consequently, the management has sought to provide our staff with comprehensive training in customer service, market understanding and communication – knowledge that is essential for providing products and services of the highest quality. Such training is also consistent with the Group's happy culture, which helps improve staff retention rate and job satisfaction.

#### *Mainland China*

The management has rationalised the Group's business in Mainland China by closing three underperforming stores and improving same store sales growth, which has resulted in its return to profitability. The Group will explore opportunities to open two new stores in middle-income residential neighbourhoods in order to tap a more stable customer base.

On the production front, Fairwood formed an alliance with a strategic partner during the review period. The initiative has led to the more efficient operation of the Group's food processing plant in Mainland China, which has been an important base for supporting local operations and will complement its coming expansion program. All in all, the collaboration has resulted in an appreciable improvement in cost control and overall food quality.

#### *Network*

During the review period, the Group opened six new fast food stores in Hong Kong. As of 30 September 2015, the Group had a total of 119 stores in operation in Hong Kong, including 114 fast food stores and five specialty restaurants. In Mainland China, the Group operates 11 fast food stores.



## Prospect

Despite changing market dynamics and concerns over labour and food costs, the management remains optimistic about the overall outlook of the food and beverage industry in Hong Kong and Mainland China, and believes that there is potential for further business growth and expansion.

Fairwood is committed to offering a happy dining experience to its customers by providing quality dishes and personalised services to fulfil our customers' needs. To further enhance the Fairwood corporate image, we will actively tap into new market segments and prudently introduce new dining concepts in Hong Kong.

Adhering to our corporate mission of "Enjoy Great Food. Live a Great Life", we will dedicate more resources to improve physical access to the elderly and the disabled. We will also organize various corporate social responsibility events targeting those in need. These will include the "Care for Seniors Campaign", the "Fairwood \$4 Meal Campaign" and the "Fairwood Gives Warmth Campaign".

As we look forward, we remain confident of our ability to grasp new opportunities by leveraging the dynamism of the Fairwood brand. Furthermore, we are upbeat about the continued success of our specialty restaurant business model, our upcoming new dining concepts that will allow us to further address emerging market needs, and our ability to turn around business operations in Mainland China. We believe that Fairwood will continue to successfully respond to changing market conditions to drive growth and deliver favourable shareholder returns.

## Financial Review

### *Liquidity and financial resources*

As at 30 September 2015, total assets of the Group amounted to HK\$1,145.8 million (31 March 2015: HK\$982.1 million). The Group's working capital was HK\$235.2 million (31 March 2015: HK\$217.5 million), represented by total current assets of HK\$685.8 million (31 March 2015: HK\$537.4 million) against total current liabilities of HK\$450.6 million (31 March 2015: HK\$319.9 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.5 (31 March 2015: 1.7). Total equity was HK\$633.0 million (31 March 2015: HK\$600.2 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2015, the Group had bank deposits and cash amounting to HK\$581.6 million (31 March 2015: HK\$419.0 million), representing an increase of 38.8%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2015, the Group had total bank loans of HK\$8.8 million (31 March 2015: HK\$11.0 million) denominated in Hong Kong dollars. All of the Group's bank borrowings were subject to floating rate basis and the maturity of borrowings are up to 2019. The unutilised banking facilities were HK\$223.9 million (31 March 2015: HK\$258.7 million). The gearing ratio of the Group was 1.4% (31 March 2015: 1.8%), which was calculated based on the total bank loans over total equity.

#### *Profitability*

Annualized return on average equity was 29.3% (year ended 31 March 2015: 25.4%), being profit for the period attributable to equity shareholders of the Company before the net gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

#### *Financial risk management*

The Group is exposed to foreign currency risk primarily through cash at bank and other financial assets that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. As United States dollar is pegged to Hong Kong dollar, the Group does not expect any significant movements in the United States dollar/Hong Kong dollar exchange rate. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

For the purpose of offsetting the exposure of the interest rate fluctuation, the Group had entered into a forward interest rate swap with a financial institution. The swap was arranged to match the maturity of the repayment schedule of a bank loan with the maturity over one year and had the fixed swap rate of 2.74%.



### *Charges on Group's assets*

As at the end of the reporting period, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK\$1.6 million (31 March 2015: HK\$1.6 million).

### *Commitments*

As at 30 September 2015, the Group's outstanding capital commitments was HK\$41.4 million (31 March 2015: HK\$25.4 million).

### *Contingent liabilities*

As at 30 September 2015, guarantees are given to banks by the Company in respect of mortgage loans and other banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the outstanding utilised facilities by all the subsidiaries that are covered by the guarantees, being HK\$75.5 million (31 March 2015: HK\$71.9 million).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and there is no transaction price.

## **Employee information**

As at 30 September 2015, the total number of employees of the Group was approximately 4,700 (31 March 2015: 4,500). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

The Group continues to offer competitive remuneration packages, share options and bonus to eligible staff, based on the performance of the Group and the individual employee. Also, the Group has committed to provide related training programme to improve the quality, competence and skills of all staff.

## Other Information

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

As at 30 September 2015, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) *Interests in the Company*

	Ordinary shares of HK\$1 each				Number of underlying shares pursuant to share options	Total	Percentage of total issued shares
	Personal interests	Family interests	Corporate interests	Other interests			
Dennis Lo Hoi Yeung	109,000	-	-	55,435,384 (Note 1)	-	55,544,384	43.80%
Chan Chee Shing	647,500	-	-	-	900,000	1,547,500	1.22%
Mak Yee Mei	1,000,000	-	-	-	400,000	1,400,000	1.10%

*Note 1:* These shares were held by Neblett Investments Limited ("Neblett") and CFJ Holdings Limited ("CFJ"). The companies are beneficially owned by two separate trusts of which Mr Dennis Lo Hoi Yeung is a discretionary object. Mr Dennis Lo Hoi Yeung, by virtue of his interest in the trusts as a discretionary object and as the Executive Chairman of the Company, was deemed interested in the shares held by Neblett and CFJ.



(b) *Interests in Fairwood Fast Food Limited*

	Number of Non-voting deferred shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Dennis Lo Hoi Yeung	11,500	–	–	279,357 (Note 2)	290,857

*Note 2:* These shares were held by Pengto International Limited (“Pengto”), a company beneficially owned by a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object. Mr Dennis Lo Hoi Yeung, by virtue of his interest in the trust as a discretionary object and as the Executive Chairman of the Company, was deemed interested in the shares held by Pengto.

All the interests stated above represent long positions.

Apart from the foregoing and those disclosed under the section “Share option scheme” below, as at 30 September 2015, none of the Directors or chief executives of the Company or any of their spouses or children under eighteen years of age had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Details of Directors’ and chief executives’ interests under the Company’s share option scheme are also set out in the section “Share option scheme” below.

### **Share option scheme**

On 7 September 2011, the Company terminated the 2002 Option Scheme and adopted the 2011 Option Scheme on the same date. As a result of the termination, no further options may be granted under the 2002 Option Scheme but the options that have been granted and remained outstanding as of that date under such scheme remain effective.

Therefore, as at 30 September 2015, the Company maintained two share option schemes, namely, the 2002 Option Scheme and 2011 Option Scheme.

(a) 2002 Option Scheme

As at 30 September 2015, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company pursuant to the 2002 Option Scheme:

	Date granted	Exercisable period	Number of options outstanding at 1 April 2015	Number of options granted during the period	Number of options lapsed during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2015	Exercise price per share HK\$	Closing price per share immediately before date of grant of options HK\$	Weighted average price of closing price per share immediately before date of exercise of options HK\$
Chan Chee Shing (Director)	8 April 2009	1 April 2010 to 31 March 2016 (Note 1)	800,000	-	-	(600,000)	200,000	6.26	6.28	21.00
Mak Yee Mei (Director)	1 March 2010	1 January 2011 to 31 December 2016 (Note 2)	80,000	-	-	(80,000)	-	8.08	8.07	21.20
Employees	8 April 2009	1 April 2010 to 31 March 2016 (Note 1)	42,000	-	-	(30,000)	12,000	6.26	6.28	23.02
Employee	16 February 2011	16 February 2012 to 15 February 2017 (Note 3)	20,000	-	-	-	20,000	10.90	10.92	-
Employee	9 May 2011	9 May 2012 to 8 May 2019 (Note 4)	320,000	-	-	(160,000)	160,000	10.88	10.82	22.85

*Note 1:* These options shall vest in five tranches of 20% each with the 1st tranche on 1 April 2010, 2nd tranche on 1 April 2011, 3rd tranche on 1 April 2012, 4th tranche on 1 April 2013 and the last tranche on 1 April 2014;

*Note 2:* These options shall vest in five tranches of 20% each with the 1st tranche on 1 January 2011, 2nd tranche on 1 January 2012, 3rd tranche on 1 January 2013, 4th tranche on 1 January 2014 and the last tranche on 1 January 2015;



Note 3: These options shall vest in five tranches of 20% each with the 1st tranche on 16 February 2012, 2nd tranche on 16 February 2013, 3rd tranche on 16 February 2014, 4th tranche on 16 February 2015 and the last tranche on 16 February 2016; and

Note 4: These options shall vest in five tranches of 20% each with the 1st tranche on 9 May 2012, 2nd tranche on 9 May 2013, 3rd tranche on 9 May 2014, 4th tranche on 9 May 2015 and the last tranche on 9 May 2016.

(b) 2011 Option Scheme

As at 30 September 2015, the Directors, associate of Directors and employees of the Company had the following interests in options to subscribe for shares of the Company pursuant to the 2011 Option Scheme:

	Date granted	Exercisable period	Number of options outstanding at 1 April 2015	Number of options granted during the period	Number of options lapsed during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2015	Exercise price per share HK\$	Closing price per share immediately before date of grant of options HK\$	Weighted average price of closing price per share immediately before date of exercise of options HK\$
Chan Chee Shing (Director)	20 April 2015	1 April 2016 to 31 March 2022 (Note 2)	-	700,000	-	-	700,000	20.70	20.80	-
Mak Yee Mei (Director)	20 April 2015	1 April 2016 to 31 March 2022 (Note 2)	-	400,000	-	-	400,000	20.70	20.80	-
Employee (Note 1)	20 April 2015	1 April 2016 to 31 March 2022 (Note 2)	-	40,000	-	-	40,000	20.70	20.80	-
Employees	20 April 2015	1 April 2016 to 31 March 2022 (Note 2)	-	4,990,000	(130,000)	-	4,860,000	20.70	20.80	-

*Note 1:* Mr Lo Fai Shing, Francis who holds the position of Executive Manager, is also the son of Mr Dennis Lo Hoi Yeung, Executive Chairman of the Company; and

*Note 2:* These options shall vest in five tranches as follows: 10% on 1 April 2016, 15% on 1 April 2017, 20% on 1 April 2018, 25% on 1 April 2019 and the remaining 30% on 1 April 2020.

Apart from the foregoing, at no time during the six months ended 30 September 2015 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any of its associated corporations within the meaning of the SFO.

### Substantial interests in the share capital of the Company

As at 30 September 2015, the interests or short positions of every person, other than the Directors and chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company, were as follows:

	<b>Shares directly and/or indirectly held</b>	<b>Percentage of total issued shares</b>
(i) Neblett ( <i>Note 1</i> )	48,775,384	38.46%
(ii) CFJ	6,660,000	5.25%
(iii) Winning Spirit International Corporation ("WSIC") ( <i>Note 1</i> )	48,775,384	38.46%
(iv) HSBC International Trustee Limited ("HITL") ( <i>Note 2</i> )	55,452,384	43.73%
(v) Allard Partners Limited ("APL") ( <i>Note 3</i> )	8,851,600	6.98%
(vi) Allard Partners Management Ltd. ("APML") ( <i>Note 3</i> )	8,851,600	6.98%
(vii) ANLCM Investments Pty Ltd ("ANLCM") ( <i>Note 3</i> )	8,851,600	6.98%
(viii) Wayne Victor Allard Peters ("WVAP") ( <i>Note 3</i> )	8,851,600	6.98%
(ix) Sheva Nominees Pty Ltd ("SNPL") ( <i>Note 3</i> )	8,851,600	6.98%
(x) Howard Kantor ("HK") ( <i>Note 3</i> )	8,851,600	6.98%
(xi) Hayley Symon ("HS") ( <i>Note 3</i> )	8,851,600	6.98%



*Note 1:* These interests represented the same block of shares directly held by Neblett. WSIC owned 100% interest in Neblett and was therefore deemed interested in the shares directly held by Neblett.

*Note 2:* Except for 17,000 shares held by HITL as trustee for other trusts, these interests represented the same block of shares directly held by Neblett and CFJ. HITL, in its capacity as a trustee of two separate trusts of which Mr Dennis Lo Hoi Yeung is the founder and discretionary object, owned 100% interest in WSIC and CFJ and was therefore deemed interested in the shares directly held by these companies; and

*Note 3:* These interests represented the same block of shares directly held by APL. APML owned 100% interest in APL and was therefore deemed interested in the shares directly held by APL. WVAP owned 100% interest in ANLCM which in turn owned 60% interest in APML whereas HK & HS each owned 50% interest in SNPL which, in its capacity as a trustee, owned 40% interest in APML. As such, WVAP, ANLCM, HK, HS and SNPL were deemed interested in the shares directly held by APL through their interests in APML.

All the interests stated above represent long positions.

Save as disclosed above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register required to be kept under Section 336 of the SFO as at 30 September 2015.

## **Dividends**

The Board declared an interim dividend of HK31.0 cents (2014: HK28.0 cents) per share and a special interim dividend of HK9.0 cents (2014: Nil) per share for the six months ended 30 September 2015 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 16 December 2015. Together with the special interim dividend, total declared dividends represent a distribution of approximately 50% (2014: 47%) of the Group's profit for the period attributable to equity shareholders. The interim dividend and special interim dividend will be paid on or before Wednesday, 30 December 2015.

## Closure of register of members

The Register of Members of the Company will be closed from Monday, 14 December 2015 to Wednesday, 16 December 2015 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 11 December 2015 for registration.

## Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 September 2015, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$
July 2015	204,000	22.60	21.90	4,549,475
August 2015	120,000	22.00	20.50	2,596,900
September 2015	72,000	20.75	20.65	1,491,250
	<u>396,000</u>			<u>8,637,625</u>

The above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of HK\$8,242,000 and HK\$24,000 respectively were charged to the Group's share premium account.

Saved as disclosed above, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.



## **Corporate governance**

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2015, save and except that the Chairman and the Managing Director (Chief Executive Officer) of the Company are not subject to retirement by rotation under the Bye-laws of the Company.

Code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; however, the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-laws of the Company. The Board considers that the exemption of both the Chairman and the Managing Director (the Chief Executive Officer) of the Company from such retirement by rotation provisions would provide the Group with strong and consistent leadership, efficient use of resources, effective planning, formulation and implementation of long-term strategies and business plans. The Board believes that it would be in the best interest of the Company for such Directors to continue to be exempted from retirement by rotation provisions.

## **Audit committee**

The audit committee comprises one Non-executive Director and three Independent Non-executive Directors and reports to the Board. The audit committee has reviewed with the management and the Company’s external auditors the unaudited financial information and interim results for the six months ended 30 September 2015.

## **Compliance with the Model Code**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Following specific enquiry by the Company, all Directors confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 September 2015.

By Order of the Board  
**Dennis Lo Hoi Yeung**  
*Executive Chairman*

Hong Kong, 26 November 2015