

2017·2018

INTERIM
REPORT



大快活
Fairwood



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

Independent Non-executive Directors

Ng Chi Keung

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

24/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

Estera Management (Bermuda) Limited

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

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 2017 together with the comparative figures for the six months ended 30 September 2016. The results have been reviewed by the Company's auditors, KPMG, and the Company's audit committee.

Consolidated Statement of Profit or Loss For the six months ended 30 September 2017 – unaudited (Expressed in Hong Kong dollars)

		Six months ended	
		30 September	
		2017	2016
	<i>Note</i>	\$'000	\$'000
Revenue	4	1,405,728	1,256,604
Cost of sales		(1,192,923)	(1,060,784)
Gross profit		212,805	195,820
Other revenue	5	3,657	3,888
Other net gain/(loss)	5	4,718	(5,378)
Selling expenses		(15,018)	(12,690)
Administrative expenses		(65,730)	(59,147)
Valuation gains on investment properties	10(a)	1,680	1,690
Impairment losses on property, plant and equipment	10(b)	(5,085)	–
Profit from operations		137,027	124,183
Finance costs	6(a)	(31)	(54)
Profit before taxation	6	136,996	124,129
Income tax	7	(19,908)	(20,298)
Profit for the period attributable to equity shareholders of the Company		117,088	103,831
Earnings per share			
Basic	9(a)	91.75 cents	81.71 cents
Diluted	9(b)	90.60 cents	80.46 cents

The notes on pages 11 to 25 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 Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Profit for the period attributable to equity shareholders of the Company	117,088	103,831
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	2,216	(1,380)
Total comprehensive income for the period attributable to equity shareholders of the Company	119,304	102,451

The notes on pages 11 to 25 form part of this interim financial report.



Consolidated Statement of Financial Position

At 30 September 2017 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2017 \$'000	At 31 March 2017 \$'000
Non-current assets			
Investment properties	10	42,860	41,180
Other property, plant and equipment	10	486,541	453,715
Interests in leasehold land held for own use under operating leases	10	6,298	6,404
		535,699	501,299
Goodwill		1,001	1,001
Rental deposits paid		69,449	69,089
Other financial assets	11	23,069	7,885
Deferred tax assets		145	145
		629,363	579,419
Current assets			
Inventories	12	45,043	41,672
Trade and other receivables	13	87,866	79,182
Other financial assets	11	–	1,132
Bank deposits and cash	14	619,503	502,979
		752,412	624,965
Current liabilities			
Trade and other payables	15	423,550	393,514
Dividends payable		138,085	–
Bank loan		1,720	1,720
Current tax payable		20,943	9,370
Provisions	17	13,631	12,642
		597,929	417,246

Consolidated Statement of Financial Position

At 30 September 2017 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Net current assets	154,483	207,719
Total assets less current liabilities	783,846	787,138
Non-current liabilities		
Bank loan	1,003	1,863
Deferred tax liabilities	23,930	25,477
Rental deposits received	1,836	1,310
Provisions	17	43,196
	72,158	71,846
NET ASSETS	711,688	715,292
Capital and reserves		
Share capital	127,862	127,164
Reserves	583,826	588,128
TOTAL EQUITY	711,688	715,292

The notes on pages 11 to 25 form part of this interim financial report.



Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017 – unaudited

(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company							
Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 April 2016 (audited)	126,745	2,267	2,682	2,565	527	541,552	676,338
Changes in equity for the six months ended 30 September 2016:							
Profit for the period	-	-	-	-	-	103,831	103,831
Other comprehensive income for the period	-	-	-	(1,380)	-	-	(1,380)
Total comprehensive income for the period	-	-	-	(1,380)	-	103,831	102,451
Shares issued under share option scheme	16	646	11,155	-	-	-	11,801
Issue expenses	-	(29)	-	-	-	-	(29)
Dividends approved in respect of the previous year	8(b)	-	-	-	-	(127,391)	(127,391)
Equity-settled share-based transactions	6, 16	-	549	389	-	-	938
Lapse of share options	-	-	(3)	-	-	3	-
	646	11,675	386	(1,380)	-	(23,557)	(12,230)
At 30 September 2016 (unaudited)	127,391	13,942	3,068	1,185	527	517,995	664,108

Consolidated Statement of Changes in Equity
For the six months ended 30 September 2017 – unaudited (continued)
(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company

Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 October 2016 (unaudited)	127,391	13,942	3,068	1,185	527	517,995	664,108
Changes in equity for the six months ended 31 March 2017:							
Profit for the period	-	-	-	-	-	101,450	101,450
Other comprehensive income for the period	-	-	-	(900)	-	-	(900)
Total comprehensive income for the period	-	-	-	(900)	-	101,450	100,550
Shares issued under share option scheme	12	236	-	-	-	-	248
Issue expenses	-	(25)	-	-	-	-	(25)
Dividends declared in respect of the previous year	8(a)	-	-	-	-	(43,317)	(43,317)
Equity-settled share-based transactions	-	7	880	-	-	-	887
Repurchase of own shares							
- par value paid	(239)	-	-	-	-	-	(239)
- premium and transaction costs paid	-	(6,920)	-	-	-	-	(6,920)
	(227)	(6,702)	880	(900)	-	58,133	51,184
At 31 March 2017 (audited)	127,164	7,240	3,948	285	527	576,128	715,292



Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017 – unaudited (continued)
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
		Share capital	Share premium	Capital reserve	Exchange reserve	Land and buildings revaluation reserve	Retained profits	Total
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2017 (audited)		127,164	7,240	3,948	285	527	576,128	715,292
<hr style="border-top: 1px dashed black;"/>								
Changes in equity for the six months ended 30 September 2017:								
Profit for the period		-	-	-	-	-	117,088	117,088
Other comprehensive income for the period		-	-	-	2,216	-	-	2,216
<hr/>								
Total comprehensive income for the period		-	-	-	2,216	-	117,088	119,304
Shares issued under share option scheme		16	698	13,769	-	-	-	14,467
Issue expenses		-	(20)	-	-	-	-	(20)
Dividends approved in respect of the previous year		8(b)	-	-	-	-	(138,085)	(138,085)
Equity-settled share-based transactions		6, 16	-	454	276	-	-	730
Lapse of share options		-	-	(6)	-	-	6	-
<hr/>								
		698	14,203	270	2,216	-	(20,991)	(3,604)
<hr style="border-top: 1px dashed black;"/>								
At 30 September 2017 (unaudited)		127,862	21,443	4,218	2,501	527	555,137	711,688

The notes on pages 11 to 25 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2017 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2017 \$'000	2016 \$'000
Operating activities			
Cash generated from operations		201,968	142,727
Net tax paid		(9,882)	(8,135)
Net cash generated from operating activities		192,086	134,592
Investing activities			
Payment for purchase of property, plant and equipment		(75,798)	(74,112)
Decrease/(increase) in bank deposits with more than three months to maturity		52,695	(53,260)
Payment for purchase of other financial assets		(14,487)	(1,206)
Proceeds from redemption of other financial assets		1,132	–
Other cash flows arising from investing activities		4	257
Net cash used in investing activities		(36,454)	(128,321)
Financing activities			
Proceeds from shares issued under share options scheme	16	14,467	11,801
Repayment of bank loan		(860)	(2,193)
Other cash flows arising from financing activities		(20)	(29)
Net cash generated from financing activities		13,587	9,579
Net increase in cash and cash equivalents		169,219	15,850
Cash and cash equivalents at 1 April		423,769	505,461
Cash and cash equivalents at 30 September		592,988	521,311

The notes on pages 11 to 25 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 (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 November 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 and 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 2017 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”).

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 26 and 27. In addition, this interim financial report has been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 March 2017 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2017 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 June 2017.

2 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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.



3 Segment reporting (continued)

(a) Segment results

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	1,340,875	1,196,792	61,238	56,380	3,615	3,432	1,405,728	1,256,604
Inter-segment revenue	-	-	-	-	2,398	2,413	2,398	2,413
Reportable segment revenue	1,340,875	1,196,792	61,238	56,380	6,013	5,845	1,408,126	1,259,017
Reportable segment profit	130,287	114,567	5,384	2,049	4,730	5,811	140,401	122,427

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2017	2016
	\$'000	\$'000
Profit		
Reportable segment profit before taxation	140,401	122,427
Change in fair value of other financial liabilities at fair value through profit or loss	-	12
Valuation gains on investment properties	1,680	1,690
Impairment losses on property, plant and equipment	(5,085)	-
Consolidated profit before taxation	136,996	124,129

4 Revenue

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

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

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Sale of food and beverages	1,402,113	1,253,172
Property rental	3,615	3,432
	1,405,728	1,256,604

5 Other revenue and net gain/(loss)

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Other revenue		
Interest income	3,657	3,888
Other net gain/(loss)		
Electric and gas range incentives	1,864	1,536
Profit on sale of redemption gifts	659	496
Net foreign exchange gain/(loss)	3,122	(4,800)
Net loss on disposal of property, plant and equipment	(1,932)	(3,380)
Others	1,005	770
	4,718	(5,378)



6 Profit before taxation

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

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest on bank borrowings	31	66
Change in fair value of other financial liabilities at fair value through profit or loss	–	(12)
	31	54
(b) <i>Other items</i>		
Cost of inventories (<i>Note</i>)	332,169	295,864
Depreciation	47,815	41,718
Amortisation of interests in leasehold land held for own use under operating leases	106	106
Equity-settled share-based payment expenses	730	938

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

7 Income tax

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	21,455	18,277
Deferred tax		
Origination and reversal of temporary differences	(1,547)	2,021
	19,908	20,298

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 September 2017.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2017 as the Group's Mainland China operations have accumulated tax losses brought forward from prior years to offset the estimated assessable profits. No provision has been made for PRC corporate income tax for the six months ended 30 September 2016, as the Group's Mainland China operations sustained a loss for taxation purpose.

8 Dividends

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

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 37.0 cents (2016: 34.0 cents) per share	47,309	43,317

The interim dividend has not been recognised as a liability at the end of the reporting period.



8 Dividends (continued)

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

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Final dividend in respect of the previous financial year ended 31 March 2017, approved and payable during the following interim period, of 58.0 cents (year ended 31 March 2016: 55.0 cents) per share	74,157	70,065
Special final dividend in respect of the previous financial year ended 31 March 2017, approved and payable during the following interim period, of 50.0 cents (year ended 31 March 2016: 45.0 cents) per share	63,928	57,326
	138,085	127,391

In respect of the dividend for the year ended 31 March 2017, there is a difference of \$402,000 (year ended 31 March 2016: \$355,000) between the final dividend and a difference of \$346,000 (year ended 31 March 2016: \$291,000) between the special final dividend disclosed in the 2017 annual financial statements and amounts approved and payable during the period. The difference represents dividends attributable to 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 2017 is based on the profit attributable to ordinary equity shareholders of the Company of \$117,088,000 (2016: \$103,831,000) and the weighted average number of ordinary shares of 127,622,000 shares (2016: 127,067,000 shares) in issue during the period.

9 Earnings per share *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2017 is based on the profit attributable to ordinary equity shareholders of the Company of \$117,088,000 (2016: \$103,831,000) and the weighted average number of ordinary shares of 129,232,000 shares (2016: 129,052,000 shares), calculated as follows:

	Six months ended	
	30 September	
	2017	2016
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	127,622	127,067
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	1,610	1,985
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	129,232	129,052

10 Investment properties, other property, plant and equipment and leasehold land

- (a) All investment properties of the Group were revalued as at 30 September 2017 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2017 valuations. As a result, gains of \$1,680,000 (six months ended 30 September 2016: \$1,690,000) have been credited to the consolidated statement of profit or loss.
- (b) During the six months ended 30 September 2017, the Group's management identified certain branches which continued to under-perform and estimated the recoverable amounts of the property, plant and equipment of these branches. Based on these estimates, the carrying amount of the property, plant and equipment was written down by \$5,085,000 during the period. The estimates of recoverable amount were based on the property, plant and equipment's value in use, determined using a discount rate of 15% (six months ended 30 September 2016: 15%). The recoverable amounts of two impaired branches amounted to \$1,819,000 and \$2,955,000 based on their value in use. No such impairment loss was recognised during the six months ended 30 September 2016.



10 Investment properties, other property, plant and equipment and leasehold land (continued)

- (c) During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with a cost of \$84,136,000 (six months ended 30 September 2016: \$96,212,000). Items of property, plant and equipment with a net book value of \$1,938,000 were disposed of during the six months ended 30 September 2017 (six months ended 30 September 2016: \$3,637,000).
- (d) At 30 September 2017, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$1,372,000 (31 March 2017: \$1,422,000).

11 Other financial assets

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Non-current financial assets		
Held-to-maturity debt securities		
– Unlisted but quoted	23,069	7,885
Current financial asset		
Held-to-maturity debt security		
– Unlisted but quoted	–	1,132
	23,069	9,017

The non-current debt securities represented medium term notes (a) issued by a financial institution in Mainland China, denominated in Renminbi, bears interest at a rate of 3.6% per annum with the maturity up to 13 November 2018; (b) issued by financial institutions in Mainland China, denominated in United States dollars and Renminbi, bear interests at rates of 2.8% and 3.8% per annum with the maturity up to 20 October 2020 and 19 November 2018 respectively; and (c) issued by a financial institution in Luxembourg, denominated in United States dollars, bears interest at rate of 2.3% per annum with the maturity up to 12 July 2021.

The current debt security as at 31 March 2017 represented medium term note issued by a financial institution in Abu Dhabi, denominated in Renminbi, bore interest at a rate of 3.6% per annum and matured on 30 June 2017. The medium-term note was redeemed by the financial institution during the period.

12 Inventories

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

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Food and beverages	41,124	38,367
Consumables, packaging materials and other sundry items	3,919	3,305
	45,043	41,672

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

	Six months ended 30 September 2017 \$'000	2016 \$'000
Carrying amount of inventories sold	332,103	295,850
Write-down of inventories	66	14
	332,169	295,864



13 Trade and other receivables

All debtors, deposits and prepayments of the Group, apart from certain utility deposits totalling \$4,821,000 (31 March 2017: \$5,256,000), 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:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
1 to 30 days	6,020	2,456
31 to 90 days	335	215
91 to 180 days	130	101
	6,485	2,772

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.

14 Bank deposits and cash

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Deposits with banks	270,925	307,573
Cash at bank and in hand	322,063	116,196
Cash and cash equivalents in the condensed consolidated cash flow statement	592,988	423,769
Bank deposits over three months	26,515	79,210
	619,503	502,979

15 Trade and other payables

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Creditors and accrued expenses	393,511	364,311
Receipts in advance and deferred income	29,688	28,251
Rental deposits received	351	952
	423,550	393,514

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

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
1 to 30 days	109,268	100,197
31 to 90 days	6,744	873
91 to 180 days	293	880
181 to 365 days	29	75
Over one year	384	316
	116,718	102,341



16 Equity-settled share-based transactions

During the six months ended 30 September 2017, share options were exercised to subscribe for 698,000 (six months ended 30 September 2016: 646,000) ordinary shares of the Company at a consideration of \$14,467,000 (six months ended 30 September 2016: \$11,801,000), of which \$698,000 (six months ended 30 September 2016: \$646,000) was credited to share capital and the balance of \$13,769,000 (six months ended 30 September 2016: \$11,155,000) was credited to the share premium account. \$454,000 (six months ended 30 September 2016: \$549,000) has been transferred from the capital reserve to the share premium account upon the exercise of the respective share options during the period.

17 Provisions

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Provision for long service payments	13,679	12,023
Provision for reinstatement costs for rented premises	45,341	43,815
	59,020	55,838
Less: Amount included under "current liabilities"	(13,631)	(12,642)
	45,389	43,196

18 Capital commitments

Capital commitments outstanding at 30 September 2017 not provided for in the Group's interim financial report were as follows:

	At 30 September 2017 \$'000	At 31 March 2017 \$'000
Contracted for	7,139	7,099
Authorised but not contracted for	20,048	6,962
	27,187	14,061

19 Contingent liabilities

At 30 September 2017, guarantees were given to banks by the Company in respect of mortgage loan 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 facilities drawn down by all the subsidiaries that are covered by the guarantees, being \$87,307,000 (31 March 2017: \$85,512,000).

The Company has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured and there is no transaction price.

20 Fair value measurement of financial instruments

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 2017 and 30 September 2017.

21 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 2017:

(a) *Remuneration for key management personnel of the Group for the six months ended 30 September 2017 is as follows:*

	Six months ended	
	30 September	
	2017	2016
	\$'000	\$'000
Salaries and other short-term employee benefits	11,114	10,429
Contribution to defined contribution retirement plans	27	27
	11,141	10,456



21 Material related party transactions (continued)

- (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 and 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 2016: \$1,140,000).
- (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 owned by Mr Dennis Lo Hoi Yeung solely). 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 2016: \$1,518,000).

22 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2017

A number of amendments and new standards are effective for annual periods beginning after 1 April 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group’s consolidated financial statements.

HKFRS 16, Leases

HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 September 2017, the Group’s future minimum lease payments under non-cancellable operating leases amount to \$980,242,000 for properties, the majority of which is payable more than a year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.



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 25 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2017 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and 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 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 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 Hong Kong Institute of Certified Public Accountants. 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 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 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 2017, the revenue of the Group increased by 11.9% year-on-year to HK\$1,405.7 million (2016: HK\$1,256.6 million). Gross profit margin was 15.1% (2016: 15.6%). In respect of profit attributable to equity shareholders, a total of HK\$117.1 million (2016: HK\$103.8 million) was recorded, representing an increase of 12.8% when compared with the last corresponding period. Basic earnings per share were HK91.75 cents (2016: HK81.71 cents).

The Feel Good Movement

At Fairwood, we believe that people come first, which is why we strive to listen to our customers and cater to their needs. Accordingly, we have introduced the “Feel Good Movement”, which continues to elevate our customers’ dining experience with customer-centric menu offerings, heartfelt service and improved dining environment.

We understand that high-quality food is one of the main reasons that keep our customers coming back, so we are constantly making efforts to upgrade the quality and selection of our dishes. In the past six months, a new series of “Feel Good” dishes have been introduced to meet the needs of increasingly health-conscious customers. Among these offerings include the Wholesome Delight series, low-calorie breakfast sets, our signature Ah Wood Curry with assorted vegetables, the Tasty & Green series, and the No MSG added series that is now cooked with less oil. Also, we have further exceeded our customers’ expectations by allowing them to choose to have extra rice or less rice, white rice or red rice, different spreads on toast and new options such as boiled vegetable dishes without oil and sauce.



In line with our objective to create heart-warming dining experiences, we have also expanded our “Delivered to Your Table” service to non-dinner hours, specifically for dishes that are made to order, as well as for customers with special needs.

We believe that when staff members take pleasure and pride in what they do, this results in happy customers. Consequently, we have worked towards making their employment at Fairwood a cheerful and rewarding experience. As part of our efforts, we have continued developing customer-centric staff training programmes as well as group activities to express appreciation to our team members. We have also sought to empower our team by encouraging them to use observational skills to proactively make decisions that lead to more heartfelt customer service. We fully believe that nurturing a happy workforce results in happy dining experience for our customers.

We also believe that our dining environment is an important part of the dining experience, and we have continued to implement the “Third Generation” of Fairwood’s orange-themed interior design, which draws inspiration from the dynamism and energy of Hong Kong. More stores will adopt this latest design theme, creating an exciting new ambience for our patrons.

We will continue to drive forward the “Feel Good” movement, as it enables us to increase brand recognition and encourage staff development, thereby raising customer satisfaction. We firmly believe that by enhancing the overall dining experience, we are able to create happy customers, result in appreciation for our team and foster an environment of mutual respect. Furthermore, the movement allows us to better cater to the needs of our customers and of the community as a whole, embracing our mission: “Enjoy Great Food. Live a Great Life!”.

Business review

Hong Kong

The Group performed favourably in Hong Kong. Among the encouraging results, year-on-year increases in revenue of approximately 12% this year are reflecting a sustainable organic growth.

The Group's encouraging performance has been supported by our efforts to improve food quality, which include procuring ingredients from reliable sources around the world and enhancing the taste of dishes and sauces used, as well as employing different cooking methods. These have made our food even more appealing and well-received by customers.

While continuously improving food quality, we have at the same time upgraded our central food processing plant to enhance production efficiency; used the SAP Enterprise Resource Planning ("ERP") system to better utilise business data; and increased automation to raise food preparation efficiency. Our ability to carefully engineer our menu to address customers' needs and desires has also allowed us to effectively manage costs.

We have also continued to aggressively expand our presence in Hong Kong by opening six new Fairwood restaurants in the city during the review period, and will maintain this aggressive approach going forward. Besides the six restaurants mentioned, we have also opened three specialty restaurants in the past six months, including our newest concept restaurant brand, Taiwan Bowl (一碗肉燥). Targeting younger customers, Taiwan Bowl offers a unique and contemporary take on Taiwanese cuisine set in a casual and modern environment. We will continue to expand our specialty restaurant division, spearheaded by the launch of Taiwan Bowl and the encouraging performance of our casual Japanese and Western brand, ASAP.



Mainland China

With regard to our Mainland China operations, we have managed to deliver solid business growth during the past six months. Our focus on operating in residential areas of Southern China, introducing the “Feel Good” movement to the region by enhancing service quality and upgrading food quality and aligning menus with our Hong Kong counterparts, all played roles in the upturn.

Moreover, to enhance customer experience and efficiency of service at our restaurants, we have introduced electronic table locators which allow our staff to quickly locate customers and deliver food to them once it is ready. Also, recognising the popularity of food delivery services in Mainland China, we have partnered with delivery platforms to expand our local takeaway business and offer different menus to specific customer segments in order to address their needs. As a result of such efforts, we have been able to achieve a rise in revenue of approximately 9%.

In view of the progress made in all areas of operation, we are cautiously optimistic about our business prospects in Mainland China, and will seek to bolster our presence as opportunities arise.

Network

During the review period, we have opened a total of nine new stores in Hong Kong. We will continue to evaluate locations for further bolstering our network. As of 30 September 2017, the Group has a total of 141 stores in operation in Hong Kong, including 130 fast food stores and 11 specialty restaurants. In Mainland China, the Group operates nine fast food stores.

Giving back to the community

Fairwood has always felt an intimate connection with the community, and in particular, with the elderly. Giving back to the community is always an important part of the Fairwood culture. In 2014, we introduced the “Care for Seniors” campaign, which included issuing discount cards specifically to benefit this group. Up to the present, we have distributed over 90,000 cards, which can be used by the elderly at all of our stores in Hong Kong. We also offer menus and amenities to cater to the elderly as well as the physically challenged, such as priority seating, under-table hooks, handrails in toilets and non-glare menu boards.

Furthermore, we have organised a variety of CSR activities, including the “Fairwood \$4 Meal Campaign” and “Fairwood Warm Caring Campaign”. To connect with different communities and to understand and address their unique needs, we have also been working with community ambassadors who are loyal Fairwood customers. Through their generous support, we have been able to better interact with our many patrons and truly give back to the community.

Prospects

Going forward, we will continue to enhance Fairwood’s brand equity and strengthen ties with our customers. Towards such objectives, we will aggressively develop our presence in Hong Kong and establish more restaurants in residential areas of Mainland China. In addition to focusing on our core Fairwood brand, we will open more specialty restaurants in Hong Kong.

Most importantly, we will continue to listen to our customers and offer dining experiences that make our customers “Feel Good”, which in turn further strengthens our prospects for long-term and sustainable growth. At the same time, we will foster a happy culture within the Group and within our community, continuing to pursue our mission for both customers and staff – “Enjoy Great Food. Live a Great Life!”.



Financial Review

Liquidity and financial resources

As at 30 September 2017, total assets of the Group amounted to HK\$1,381.8 million (31 March 2017: HK\$1,204.4 million). The Group's working capital was HK\$154.5 million (31 March 2017: HK\$207.7 million), represented by total current assets of HK\$752.4 million (31 March 2017: HK\$625.0 million) against total current liabilities of HK\$597.9 million (31 March 2017: HK\$417.3 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (31 March 2017: 1.5). Total equity was HK\$711.7 million (31 March 2017: HK\$715.3 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2017, the Group had bank deposits and cash amounting to HK\$619.5 million (31 March 2017: HK\$503.0 million), representing an increase of 23.2%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2017, the Group had total bank loans of HK\$2.7 million (31 March 2017: HK\$3.6 million) denominated in Hong Kong dollars. The Group's bank borrowings were on floating rate basis and the maturities of borrowings are up to 2019. The unutilised banking facilities were HK\$187.5 million (31 March 2017: HK\$190.1 million). The gearing ratio of the Group was 0.4% (31 March 2017: 0.5%), which was calculated based on the total bank loans over total equity.

Profitability

Annualised return on average equity was 32.8% (year ended 31 March 2017: 29.5%), being profit for the period attributable to equity shareholders of the Company 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.

Charges on the 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\$1.4 million (31 March 2017: HK\$1.4 million).

Commitments

As at 30 September 2017, the Group's outstanding capital commitments was HK\$27.2 million (31 March 2017: HK\$14.1 million).

Contingent liabilities

As at 30 September 2017, 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 of the Company 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\$87.3 million (31 March 2017: HK\$85.5 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 2017, the total number of employees of the Group was approximately 5,600 (31 March 2017: 5,300). 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 2017, 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 Option	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	43.44%
Chan Chee Shing	800,000	-	-	-	700,000	1,500,000	1.17%
Mak Yee Mei	1,100,000	-	-	-	300,000	1,400,000	1.09%

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				
	Personal interests	Family interests	Corporate interests	Other interests	Total
Dennis Lo Hoi Yeung	11,500	–	279,357 (Note 2)	–	290,857

Note 2: These shares were held by Pengto International Limited, a company owned by Mr Dennis Lo Hoi Yeung solely.

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 2017, 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

As at 30 September 2017, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company pursuant to the share option scheme of the Company:

	Date granted	Exercisable period	Number of options outstanding at 1 April 2017	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 2017	Exercise price per share HK\$	Closing price per share immediately before date of grant HK\$	Weighted average closing price per share immediately before date of exercise 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)	360,000	-	-	(60,000)	300,000	20.70	20.80	32.05
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)	4,168,000	-	(136,500)	(632,500)	3,399,000	20.70	20.80	32.41
Employee	2 October 2015	1 October 2016 to 30 September 2022 (Note 3)	60,000	-	-	(6,000)	54,000	22.20	21.90	33.45



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;

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; and

Note 3: These options shall vest in five tranches as follows: 10% on 1 October 2016, 15% on 1 October 2017, 20% on 1 October 2018, 25% on 1 October 2019 and the remaining 30% on 1 October 2020.

Apart from the foregoing, at no time during the six months ended 30 September 2017 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 2017, 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 pursuant to Section 336 of the SFO, or as otherwise notified to the Company, were as follows:

	Shares directly and/or indirectly held	Percentage of total issued shares
(i) Neblett (<i>Note 1</i>)	48,775,384	38.15%
(ii) CFJ	6,660,000	5.21%
(iii) Winning Spirit International Corp. ("WSIC") (<i>Note 1</i>)	48,775,384	38.15%
(iv) HSBC International Trustee Limited ("HITL") (<i>Note 2</i>)	55,452,384	43.37%

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; and

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.

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 pursuant to Section 336 of the SFO as at 30 September 2017.

Dividend

The Board declared an interim dividend of HK37.0 cents (2016: HK34.0 cents) per share for the six months ended 30 September 2017 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 15 December 2017. The declared dividend represented a distribution of approximately 40% (2016: 42%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 29 December 2017.

Closure of register of members

The Register of Members of the Company will be closed from Wednesday, 13 December 2017 to Friday, 15 December 2017 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer 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 Tuesday, 12 December 2017 for registration.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



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 2017, 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 four Independent Non-executive Directors of the Company 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 2017.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. Following specific enquiry by the Company, all Directors of the Company confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 September 2017.

Disclosure of Information on Directors pursuant to Listing Rule 13.51B(1)

Pursuant to Listing Rule 13.51B(1), the Company discloses the following changes in information on Mr Peter Wan Kam To, an Independent Non-executive Director of the Company:

- (a) His term of office as Director of Dalian Port (PDA) Company Limited expired on 28 June 2017;
- (b) He resigned as an Independent Non-executive Director of S. Culture International Holdings Limited from 10 July 2017; and
- (c) He has been appointed as an Independent Non-executive Director of A-Living Services Co., Ltd (“A-Living”) with effect from 21 August 2017. A-Living is a subsidiary of Agile Group Holdings Limited (a company listed on the Stock Exchange) which has proposed to spin-off and separately list A-Living on the main board of the Stock Exchange.

By order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 28 November 2017