

# Interim 2014-15 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

#### 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

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 2014 together with the comparative figures for the six months ended 30 September 2013. 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 2014 – unaudited**

*(Expressed in Hong Kong dollars)*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2014</b>	2013
		<b>\$'000</b>	\$'000
<b>Turnover</b>	Note 4	<b>1,128,766</b>	1,012,960
Cost of sales		<b>(959,111)</b>	(871,412)
<b>Gross profit</b>		<b>169,655</b>	141,548
Other revenue	5	<b>3,081</b>	2,120
Other net income	5	<b>592</b>	2,347
Selling expenses		<b>(17,325)</b>	(15,684)
Administrative expenses		<b>(53,238)</b>	(45,938)
Valuation gains on investment properties	10(a)	<b>2,692</b>	1,782
Impairment losses on fixed assets	10(b)	<b>(8,355)</b>	(4,387)
<b>Profit from operations</b>		<b>97,102</b>	81,788
Finance costs	6(a)	<b>(36)</b>	(307)
<b>Profit before taxation</b>	6	<b>97,066</b>	81,481
Income tax	7	<b>(21,757)</b>	(14,312)
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>75,309</b>	67,169
<b>Earnings per share</b>			
Basic	9(a)	<b>59.78 cents</b>	53.48 cents
Diluted	9(b)	<b>59.35 cents</b>	52.86 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 2014 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2014	2013
	\$'000	\$'000
<b>Profit for the period attributable to equity shareholders of the Company</b>	<b>75,309</b>	67,169
<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>206</b>	1,496
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b>75,515</b>	68,665

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



# Consolidated Statement of Financial Position

At 30 September 2014 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2014 \$'000	At 31 March 2014 \$'000
<b>Non-current assets</b>			
Fixed assets	10		
– Investment properties		<b>60,021</b>	57,329
– Other property, plant and equipment		<b>374,264</b>	339,600
– Interests in leasehold land held for own use under operating leases		<b>6,933</b>	7,039
		<b>441,218</b>	403,968
Goodwill		<b>1,001</b>	1,001
Rental deposits paid		<b>51,111</b>	51,048
Other financial assets	11	<b>8,932</b>	8,826
Deferred tax assets		<b>534</b>	1,957
		<b>502,796</b>	466,800
<b>Current assets</b>			
Inventories	12	<b>49,568</b>	30,820
Trade and other receivables	13	<b>62,066</b>	56,823
Other financial assets	11	<b>7,564</b>	7,394
Current tax recoverable		<b>72</b>	54
Bank deposits and cash	14	<b>425,101</b>	326,058
		<b>544,371</b>	421,149
<b>Current liabilities</b>			
Trade and other payables	15	<b>377,294</b>	265,307
Bank loans		<b>4,387</b>	9,852
Current tax payable		<b>20,582</b>	10,034
Provisions	17	<b>13,060</b>	8,575
		<b>415,323</b>	293,768

## Consolidated Statement of Financial Position

At 30 September 2014 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2014 Note	At 31 March 2014 \$'000	At 31 March 2014 \$'000
<b>Net current assets</b>	<b>129,048</b>		127,381
<b>Total assets less current liabilities</b>	<b>631,844</b>		594,181
<b>Non-current liabilities</b>			
Bank loans	<b>8,830</b>		11,065
Deferred tax liabilities	<b>18,633</b>		14,984
Rental deposits received	<b>1,337</b>		1,368
Provisions	<i>17</i> <b>34,792</b>		31,502
	<b>63,592</b>		58,919
<b>NET ASSETS</b>	<b>568,252</b>		535,262
<b>Capital and reserves</b>			
Share capital	<i>18</i> <b>126,397</b>		125,465
Reserves	<b>441,855</b>		409,797
<b>TOTAL EQUITY</b>	<b>568,252</b>		535,262

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 2014 – unaudited

(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 April 2013</b> <b>(audited)</b>		125,178	4,458	5,112	3,414	768	380,769	519,699
<hr style="border-top: 1px dashed black;"/>								
<b>Changes in equity for the six months ended 30 September 2013:</b>								
Profit for the period		-	-	-	-	-	67,169	67,169
Other comprehensive income for the period		-	-	-	1,496	-	-	1,496
<hr/>								
Total comprehensive income for the period		-	-	-	1,496	-	67,169	68,665
Dividend approved in respect of the previous year	8(b)	-	-	-	-	-	(61,500)	(61,500)
Shares issued under share option scheme	16	872	6,215	-	-	-	-	7,087
Issue expenses		-	(29)	-	-	-	-	(29)
Equity-settled share-based transactions	6, 16	-	1,331	(1,501)	-	-	-	(170)
Repurchase of own shares – Par value paid		(540)	-	-	-	-	-	(540)
– Premium and transaction costs paid		-	(8,141)	-	-	-	-	(8,141)
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		332	(624)	(1,501)	1,496	-	5,669	5,372
<hr style="border-top: 1px dashed black;"/>								
<b>At 30 September 2013</b> <b>(unaudited)</b>		125,510	3,834	3,611	4,910	768	386,438	525,071



## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014 – 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 2013 (unaudited)</b>		125,510	3,834	3,611	4,910	768	386,438	525,071
<hr style="border-top: 1px dashed black;"/>								
<b>Changes in equity for the six months ended 31 March 2014:</b>								
Profit for the period		-	-	-	-	-	40,442	40,442
Other comprehensive income for the period		-	-	-	(225)	-	-	(225)
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Total comprehensive income for the period		-	-	-	(225)	-	40,442	40,217
Dividend approved in respect of the previous year	8(a)	-	-	-	-	-	(28,880)	(28,880)
Shares issued under share option scheme	16	74	483	-	-	-	-	557
Issue expenses		-	(19)	-	-	-	-	(19)
Equity-settled share-based transactions	6, 16	-	130	55	-	-	-	185
Repurchase of own shares – Par value paid		(119)	-	-	-	-	-	(119)
– Premium and transaction costs paid		-	(1,750)	-	-	-	-	(1,750)
<hr/>								
		(45)	(1,156)	55	(225)	-	11,562	10,191
<hr style="border-top: 1px dashed black;"/>								
<b>At 31 March 2014 (audited)</b>		125,465	2,678	3,666	4,685	768	398,000	535,262



## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014 – 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 April 2014</b> (audited)		125,465	2,678	3,666	4,685	768	398,000	535,262
<hr/>								
<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
<hr/>								
Total comprehensive income for the period		-	-	-	206	-	75,309	75,515
Dividend approved in respect of the previous year	8(b)	-	-	-	-	-	(49,295)	(49,295)
Shares issued under share option scheme	16	932	5,787	-	-	-	-	6,719
Issue expenses		-	(27)	-	-	-	-	(27)
Equity-settled share-based transactions	6, 16	-	1,747	(1,669)	-	-	-	78
<hr/>								
		932	7,507	(1,669)	206	-	26,014	32,990
<hr/>								
<b>At 30 September 2014</b> (unaudited)		126,397	10,185	1,997	4,891	768	424,014	568,252

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 2014 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2014	2013
Note	\$'000	\$'000
<b>Operating activities</b>		
Cash generated from operations	<b>161,957</b>	133,827
Tax paid	<b>(6,136)</b>	(4,891)
	<b>155,821</b>	128,936
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	<b>(56,154)</b>	(33,491)
Other cash flows arising from investing activities	<b>385</b>	20
	<b>(55,769)</b>	(33,471)
<b>Net cash used in investing activities</b>		
	<b>(1,009)</b>	(4,153)
<b>Net cash used in financing activities</b>		
	<b>99,043</b>	91,312
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at 1 April	<b>326,058</b>	290,992
Cash and cash equivalents at 30 September	<b>425,101</b>	382,304

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 28 November 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 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 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 June 2014.

## **2 Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets* are relevant to the Group's financial statements.

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit for which an impairment loss has been recognized or reversed during the reporting period. These amendments do not have an impact on the Group's 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.

#### (a) *Segment results*

For the purposes of assessing segment performance and allocating resources between segments, the Group's 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from								
external customers	<b>1,029,966</b>	922,264	<b>95,990</b>	88,288	<b>2,810</b>	2,408	<b>1,128,766</b>	1,012,960
Inter-segment revenue	-	-	-	-	<b>2,500</b>	2,352	<b>2,500</b>	2,352
<b>Reportable segment revenue</b>	<b>1,029,966</b>	922,264	<b>95,990</b>	88,288	<b>5,310</b>	4,760	<b>1,131,266</b>	1,015,312
<b>Reportable segment profit/(loss)</b>	<b>102,597</b>	82,235	<b>(4,664)</b>	(2,207)	<b>4,497</b>	3,855	<b>102,430</b>	83,883



### 3 Segment reporting (continued)

#### (b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
<b>Profit</b>		
Reportable segment profit before taxation	<b>102,430</b>	83,883
Change in fair value of other financial assets at fair value through profit or loss	<b>170</b>	–
Change in fair value of other financial liabilities at fair value through profit or loss	<b>129</b>	203
Valuation gains on investment properties	<b>2,692</b>	1,782
Impairment losses on fixed assets	<b>(8,355)</b>	(4,387)
	<hr/>	<hr/>
Consolidated profit before taxation	<b>97,066</b>	81,481

### 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	
	2014	2013
	\$'000	\$'000
Sale of food and beverages	<b>1,125,956</b>	1,010,552
Property rental	<b>2,810</b>	2,408
	<hr/>	<hr/>
	<b>1,128,766</b>	1,012,960



**5 Other revenue and net income**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Other revenue</b>		
Interest income	<b>3,081</b>	2,120
<b>Other net income</b>		
Electric and gas range incentives	<b>1,913</b>	2,096
Net foreign exchange gain	<b>1,704</b>	1,161
Profit on sale of redemption gifts	<b>647</b>	581
Compensation for early termination of tenancy leases	<b>(3,601)</b>	–
Net loss on disposal of fixed assets	<b>(859)</b>	(2,341)
Others	<b>788</b>	850
	<b>592</b>	2,347



## 6 Profit before taxation

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

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest on bank borrowings	335	510
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	(129)	(203)
	<b>36</b>	<b>307</b>
(b) <i>Other items</i>		
Cost of inventories (Note)	292,614	269,922
Depreciation of fixed assets	41,161	36,792
Amortisation of interests in leasehold land held for own use under operating leases	106	106
Equity-settled share-based payment expenses/(income)	78	(170)

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

## 7 Income tax

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
<b>Current tax</b>		
Provision for Hong Kong Profits Tax	16,667	15,267
<b>Deferred tax</b>		
Origination and reversal of temporary differences	5,090	(955)
	<b>21,757</b>	<b>14,312</b>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 September 2014.

**7 Income tax** (continued)

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

**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>2014</b>	2013
	<b>\$'000</b>	\$'000
Interim dividend declared and payable after the interim period of 28.0 cents (2013: 23.0 cents) per share	<b>35,391</b>	28,880

The interim dividend has 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>2014</b>	2013
	<b>\$'000</b>	\$'000
Final dividend in respect of the previous financial year ended 31 March 2014, approved and payable during the following interim period, of 39.0 cents (year ended 31 March 2013: 39.0 cents) per share	<b>49,295</b>	48,949
Special final dividend in respect of the previous financial year ended 31 March 2014, approved and payable during the following interim period, of Nil cent (year ended 31 March 2013: 10.0 cents) per share	-	12,551
	<b>49,295</b>	61,500



## 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 (continued)*

In respect of the final dividend and special final dividend for the years ended 31 March 2014 and 31 March 2013, there is a difference of \$364,000 (year ended 31 March 2013: \$163,000) between the final dividend and special final dividend disclosed in the 2014 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 2014 is based on the profit attributable to ordinary equity shareholders of the Company of \$75,309,000 (2013: \$67,169,000) and the weighted average number of ordinary shares of 125,974,000 shares (2013: 125,591,000 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 2014 is based on the profit attributable to ordinary equity shareholders of the Company of \$75,309,000 (2013: \$67,169,000) and the weighted average number of ordinary shares of 126,899,000 shares (2013: 127,077,000 shares), calculated as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>'000</b>	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>125,974</b>	125,591
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	<b>925</b>	1,486
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>126,899</b>	127,077

## 10 Fixed assets

- (a) All investment properties of the Group were revalued as at 30 September 2014 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 gain of \$2,692,000 (six months ended 30 September 2013: \$1,782,000) has been credited to the consolidated income statement.
- (b) During the six months ended 30 September 2014, 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 \$8,355,000 (six months ended 30 September 2013: \$4,387,000). The estimates of recoverable amount were based on the fixed assets' value in use, determined using a discount rate of 13% (six months ended 30 September 2013: 13%).
- (c) During the six months ended 30 September 2014, the Group acquired items of fixed assets with a cost of \$73,937,000 (six months ended 30 September 2013: \$29,216,000). Items of fixed assets with a net book value of \$1,244,000 were disposed of during the six months ended 30 September 2014 (six months ended 30 September 2013: \$2,361,000).
- (d) At 30 September 2014, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$22,872,000 (31 March 2014: \$45,517,000).



## 11 Other financial assets

	At 30 September 2014 \$'000	At 31 March 2014 \$'000
<b>Non-current financial assets</b>		
Held-to-maturity debt security		
– Unlisted but quoted	<b>8,932</b>	8,826
<b>Current financial assets</b>		
Principal protected structured note		
– Unlisted but quoted	<b>7,564</b>	7,394
	<b>16,496</b>	16,220

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.

The principal protected structured note was issued by a financial institution in Hong Kong. The interest rate is determined with reference to the exchange rate of the United States dollars (“USD”) against Renminbi (“RMB”) at the fixing date on 6 February 2015.

## 12 Inventories

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

	<b>At 30 September 2014 \$'000</b>	At 31 March 2014 \$'000
Food and beverages	<b>46,311</b>	27,273
Consumables, packaging materials and other sundry items	<b>3,257</b>	3,547
	<b>49,568</b>	30,820

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

	<b>Six months ended 30 September 2014 \$'000</b>	2013 \$'000
Carrying amount of inventories sold	<b>292,270</b>	269,833
Write down of inventories	<b>344</b>	89
	<b>292,614</b>	269,922



### 13 Trade and other receivables

All trade and other receivables of the Group, apart from certain utility deposits totalling \$3,403,000 (31 March 2014: \$3,880,000), 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 2014 \$'000</b>	At 31 March 2014 \$'000
1 to 30 days	<b>1,872</b>	1,892
31 to 90 days	<b>2</b>	312
91 to 180 days	<b>–</b>	20
	<b>1,874</b>	2,224

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

	<b>At 30 September 2014 \$'000</b>	At 31 March 2014 \$'000
Deposits with banks	<b>281,765</b>	270,045
Cash at bank and in hand	<b>143,336</b>	56,013
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>425,101</b>	326,058



**15 Trade and other payables**

	<b>At 30 September 2014 \$'000</b>	At 31 March 2014 \$'000
Creditors and accrued expenses	<b>304,833</b>	244,342
Receipts in advance and deferred income	<b>22,520</b>	20,370
Dividends payable	<b>49,295</b>	–
Rental deposits received	<b>523</b>	343
Derivative financial instruments	<b>123</b>	252
	<b>377,294</b>	265,307

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

	<b>At 30 September 2014 \$'000</b>	At 31 March 2014 \$'000
1 to 30 days	<b>99,764</b>	81,148
31 to 90 days	<b>5,190</b>	172
91 to 180 days	<b>2,469</b>	3,014
181 to 365 days	<b>660</b>	785
Over one year	<b>656</b>	681
	<b>108,739</b>	85,800



## 16 Equity-settled share-based transactions

During the six months ended 30 September 2014, share options were exercised to subscribe for 932,000 (six months ended 30 September 2013: 872,000) ordinary shares of the Company at a consideration of \$6,719,000 (six months ended 30 September 2013: \$7,087,000), of which \$932,000 (six months ended 30 September 2013: \$872,000) was credited to share capital and the balance of \$5,787,000 (six months ended 30 September 2013: \$6,215,000) was credited to the share premium account. \$1,747,000 (six months ended 30 September 2013: \$1,331,000) has been transferred from the capital reserve to the share premium account upon the exercise of respective share options during the period.

## 17 Provisions

	<b>At 30 September 2014 \$'000</b>	At 31 March 2014 \$'000
Provision for long service payments	<b>9,300</b>	10,940
Provision for reinstatement costs for rented premises	<b>38,552</b>	29,137
	<b>47,852</b>	40,077
Less: Amount included under "current liabilities"	<b>(13,060)</b>	(8,575)
	<b>34,792</b>	31,502

## 18 Purchase of own shares

<b>Month/year</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share \$</b>	<b>Lowest price paid per share \$</b>	<b>Aggregate price paid \$'000</b>
September 2014	50,000	17.10	17.00	853

The above shares have been repurchased by the Company but the share cancellation has not yet been completed as at 30 September 2014. As a result, the nominal value of these shares was not deducted from the issued share capital of the Company.

## 19 Capital commitments

Capital commitments outstanding at 30 September 2014 not provided for in the Group's interim financial report were as follows:

	<b>At 30 September 2014 \$'000</b>	At 31 March 2014 \$'000
Contracted for	<b>1,265</b>	12,087
Authorised but not contracted for	<b>443</b>	18,867
	<b>1,708</b>	30,954

Included in capital commitments outstanding at 30 September 2014 was an amount of \$Nil (31 March 2014: \$7,891,000) for the future development of the central food processing plant.

## 20 Contingent liabilities

At 30 September 2014, 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 \$72,274,000 (31 March 2014: \$82,077,000).

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.



## 21 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 2014 and 30 September 2014, the outstanding principal protected structured note and derivative financial instruments of the Group fall into Level 2.

During the six months ended 30 September 2014, 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 structured note is derived from the fair value of the underlying deposit by using discounted cash flow analysis taking the credit risk and the exchange rate of USD against RMB into account.

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 2014 plus an adequate constant credit spread to discount derivative financial instruments.

### (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 2014 and 30 September 2014.

## 22 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 2014:

- (a) Remuneration for key management personnel of the Group for the six months ended 30 September 2014 is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Salaries and other short-term employee benefits	<b>8,649</b>	7,697
Contribution to defined contribution retirement plans	<b>26</b>	23
	<b>8,675</b>	7,720

- (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 \$840,000 (six months ended 30 September 2013: \$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 \$1,247,000 (six months ended 30 September 2013: \$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 2014 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 months 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 2014 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

28 November 2014



# Management Discussion and Analysis

## Overall performance

For the six months ended 30 September 2014, the Group achieved encouraging results with an increase in turnover of 11.4% to HK\$1,128.8 million, up from HK\$1,013.0 million recorded during the corresponding period last year. Gross profit margin rose modestly to 15.0%. Profit for the period attributable to equity shareholders of the Company was HK\$75.3 million, an increase of 12.1% from HK\$67.2 million reported for the same period last year. Basic earnings per share were HK59.78 cents (six months ended 30 September 2013: HK53.48 cents).

## Business review

### *Hong Kong*

Fairwood has always strived diligently to deliver promising results. Leveraging its successful business model, the management has once again been able to achieve satisfactory growth during the review period. With ongoing innovation, continuous improvement of signature dishes, and favourable response to the “No MSG” series, the Group recorded healthy same-store sales growth, contributed by both higher headcount and average customer spending. In response to wider market needs, the Group embarked on an aggressive expansion plan; opening a total of nine new stores within the past six months. These new stores, conveniently located in residential estates, shopping malls and MTR stations, are able to address the needs of customers from different target segments.

Apart from the development of fast food stores, the Group believes that it is crucial to look for opportunities to expand its specialty restaurant network and diversify Fairwood’s brand portfolio to support its sustainable growth in today’s rapidly changing marketplace. Over the years, Fairwood has opened new specialty restaurants including the Kenting Tea House and Buddies Café to cater for a wide range of tastes and preferences. These initiatives have received positive market response; hence further investments will be allocated to this area.



Fairwood’s successful business model, highlighted by its global sourcing strategy, effective menu planning catering for customers’ needs, flexible manpower scheduling and supported by the SAP Enterprise Resources Planning (“ERP”) system and Central Food Processing Plant, has enabled it to better manage the issues of rising costs in food, rental and labour. Additional capital was also earmarked for enhancement of the Central Food Processing Plant during the period. Consequently, automation processes were optimised, leading to better consistency in food quality. Such efforts resulted in the streamlining of business operations as well, leading to higher profitability.

Fairwood always believes that it is the people who make the difference. As one of the leading fast food operators in Hong Kong, the Group has been dedicated to opening the door of development opportunity to its staff, allowing them to learn, train and achieve career advancement. The labour market in Hong Kong has remained fiercely competitive; F&B companies, including Fairwood, have encountered difficulties in recruiting frontline staff. Nonetheless, Fairwood’s ongoing efforts on talent management and fostering a happy culture within the organization have enabled it to build a happy working team, thus the Group has been less affected by the labour shortage problem. With its stable workforce of high morale, Fairwood is confident in its ability to continue delivering happy dining experiences to its customers.

### *Mainland China*

During the review period, the Group has consolidated its Mainland China business. Underperforming stores were closed; while more efforts and resources were placed on well-established profit-making stores located in first-tier cities. The overall performance of the Mainland China business has subsequently improved, with notable growth in same-store sales.

Several strategic moves have been formulated to enable the Group’s Mainland China business to turnaround. Firstly, the Group has strategically refocused its efforts to first-tier cities in Southern China, particularly in prominent areas such as large popular shopping malls and train stations, which have higher pedestrian flows to attract individuals with generally greater purchasing power. Secondly, the Group is collaborating with a strategic partner to operate its food processing



plant in Mainland China, which will serve as the backbone for supporting local operations. Leveraging favourable CEPA policies, the Group's Hong Kong Central Food Processing Plant can also supply certain food ingredients to its Mainland China operation. Through these initiatives, the management is optimistic about the Group's ability to achieve further inroads into the local market.

### *Network*

During the review period, the Group opened 9 new fast food stores in Hong Kong. As at 30 September 2014, the Group has a total of 117 stores in operation in Hong Kong, including 110 fast food stores and 7 specialty restaurants. In Mainland China, the Group operated 17 fast food stores as at the end of the reporting period.

### **Prospect**

Moving forward, the management is planning to implement a number of initiatives that will respectively expand Fairwood's fast food network and develop innovative concepts to enlarge the Group's specialty restaurant portfolio. With respect to the latter, a new concept restaurant is expected to be launched in the near future.

The Hong Kong market is expected to remain healthy. In the long run, the Group will not only seek to consistently deliver quality cuisine to its customers, but also continue to focus on staff development and process enhancement, leading to higher overall efficiency and ultimately healthy organic growth. In addition, a broad spectrum of corporate social responsibility initiatives will continue, including the "Fairwood \$4 Meal" and "Fairwood Gives Warmth" campaigns, aiming to directly benefit the less fortunate in the society.

Fairwood will remain resolute in its determination to deliver satisfactory returns to its shareholders, maintain a productive and cohesive workforce, provide pleasant dining experiences to customers and contribute to the betterment of communities in which it operates. Through such efforts, the Group will be able to continue fulfilling its mission, "Enjoy Great Food, Live a Great Life".

## Financial Review

### *Liquidity and financial resources*

At 30 September 2014, total assets of the Group amounted to HK\$1,047.2 million (31 March 2014: HK\$887.9 million). The Group's working capital was HK\$129.0 million (31 March 2014: HK\$127.4 million), represented by total current assets of HK\$544.3 million (31 March 2014: HK\$421.2 million) against total current liabilities of HK\$415.3 million (31 March 2014: HK\$293.8 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (31 March 2014: 1.4). Total equity was HK\$568.3 million (31 March 2014: HK\$535.3 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2014, the Group had bank deposits and cash amounting to HK\$425.1 million (31 March 2014: HK\$326.1 million), representing an increase of 30.4% from 31 March 2014. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 30 September 2014, the Group had total bank loans of HK\$13.2 million (31 March 2014: HK\$20.9 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\$260.7 million (31 March 2014: HK\$276.3 million). The gearing ratio of the Group was 2.3% (31 March 2014: 3.9%), which was calculated based on the total bank loans over total equity.

### *Profitability*

Annualized return on average equity was 27.3% (year ended 31 March 2014: 20.4%), 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's receipts and expenditures were mainly denominated in Hong Kong dollars and Renminbi. The impact of the fluctuation in exchange rate is immaterial to the Group's financial position.

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 the next 2 years 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\$22.9 million (31 March 2014: HK\$45.5 million).

### *Commitments*

As at 30 September 2014, the Group's outstanding capital commitments was HK\$1.7 million (31 March 2014: HK\$31.0 million). Included in capital commitments outstanding at 30 September 2014 was an amount of HK\$nil (31 March 2014: HK\$7.9 million) for the future development of the central food processing plant.

### *Contingent liabilities*

At 30 September 2014, 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\$72.3 million (31 March 2014: HK\$82.1 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**

At 30 September 2014, the total number of employees of the Group was approximately 4,900 (31 March 2014: 4,600). 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 2014, 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	43.94%
Chan Chee Shing	215,000	-	-	-	800,000	1,015,000	0.80%
Mak Yee Mei	920,000	-	-	-	80,000	1,000,000	0.79%

*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 2014, 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 2014, the Company maintained two share option schemes, namely, the 2002 Option Scheme and 2011 Option Scheme.



(a) 2002 Option Scheme

As at 30 September 2014, 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.

	Number of options outstanding at 1 April 2014	Number of options granted during the period	Date granted	Exercisable period	Number of options lapsed during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2014	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)	1,000,000	-	8 April 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	-	(200,000)	800,000	6.26	6.28	16.78
Mak Yee Mei (Director)	160,000	-	1 March 2010	Exercisable in five tranches of 20% during the period from 1 January 2011 to 31 December 2016	-	(80,000)	80,000	8.08	8.07	17.06
Employees	560,000	-	8 April 2009	Exercisable in five tranches of 20% during the period From 1 April 2010 to 31 March 2016	-	(492,000)	68,000	6.26	6.28	15.96
Employee	40,000	-	16 February 2011	Exercisable in five tranches of 20% during the period from 16 February 2012 to 15 February 2017	-	-	40,000	10.90	10.92	-
Employee	480,000	-	9 May 2011	Exercisable in five tranches of 20% during the period from 9 May 2012 to 8 May 2019	-	(160,000)	320,000	10.88	10.82	16.26



(b) 2011 Option Scheme

As at 30 September 2014, the employee of the Company had the following interests in options to subscribe for shares of the Company pursuant to the 2011 Option Scheme.

	Number of options outstanding at 1 April 2014	Number of options granted during the period	Date granted	Exercisable period	Number of options lapsed during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2014	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\$
Employee	-	100,000	11 July 2014	Exercisable in five tranches of 20% during the period from 11 July 2015 to 10 July 2022	-	-	100,000	16.28	16.26	-

Apart from the foregoing, at no time during the six months ended 30 September 2014 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 2014, 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:

	Shares directly and/or indirectly held	Percentage of total issued shares
(i) Neblett ( <i>Note 1</i> )	48,775,384	38.59%
(ii) CFJ ( <i>Note 2</i> )	6,660,000	5.27%
(iii) Winning Spirit International Corporation ( <i>Note 1</i> )	48,775,384	38.59%
(iv) HSBC International Trustee Limited ( <i>Note 1</i> )	48,775,384	38.59%
(v) HSBC Trustee (Cook Islands) Limited ( <i>Note 2</i> )	6,660,000	5.27%
(vi) Allard Partners Limited ("APL") ( <i>Note 3</i> )	8,633,600	6.83%
(vii) Allard Partners Management Ltd. ("APML") ( <i>Note 3</i> )	8,633,600	6.83%
(viii) ANLCM Investments Pty Ltd ("ANLCM") ( <i>Note 3</i> )	8,633,600	6.83%
(ix) Wayne Victor Allard Peters ("WVAP") ( <i>Note 3</i> )	8,633,600	6.83%
(x) Sheva Nominees Pty Ltd ("SNPL") ( <i>Note 3</i> )	8,633,600	6.83%
(xi) Howard Kantor ("HK") ( <i>Note 3</i> )	8,633,600	6.83%
(xii) Hayley Symon ("HS") ( <i>Note 3</i> )	8,633,600	6.83%

*Note 1:* These interests represented the same block of shares directly held by Neblett. Winning Spirit International Corporation owned 100% interest in Neblett and was therefore deemed interested in the shares directly held by Neblett. HSBC International Trustee Limited, in its capacity as a trustee of a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object, owned 100% interest in Winning Spirit International Corporation and was therefore deemed interested in the shares directly held by Neblett;

*Note 2:* These interests represented the same block of shares directly held by CFJ. HSBC Trustee (Cook Islands) Limited, in its capacity as a trustee of a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object, owned 100% interest in CFJ and was therefore deemed interested in the shares directly held by CFJ; 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 2014.

## **Dividend**

The Board declared an interim dividend of HK28.0 cents (2013: HK23.0 cents) per share for the six months ended 30 September 2014 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17 December 2014. The declared dividend represents a distribution of approximately 47% of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Tuesday, 30 December 2014.

## **Closure of register of members**

The Register of Members of the Company will be closed from Monday, 15 December 2014 to Wednesday, 17 December 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the 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, 12 December 2014 for registration.



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

During the six months ended 30 September 2014, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$</i>
September 2014	<u>50,000</u>	17.10	17.00	<u>853,300</u>

The above repurchased shares were cancelled on 18 November 2014 but the nominal value of these shares was not deducted from the issued share capital of the Company as at 30 September 2014.

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 2014, save and except that the Chairman and/or 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/or 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/or 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 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 2014.

## **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 2014.

## **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) He was appointed as the Treasurer and Council Member of The Open University of Hong Kong with effect from 20 June 2014; and
- (b) He resigned as an Independent Director of RDA Microelectronics, Inc. (which is listed on the NASDAQ) with effect from 18 July 2014.

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

Hong Kong, 28 November 2014