



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

2016-2017
INTERIM REPORT





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dennis Lo Hoi Yeung

(Executive Chairman)

Chan Chee Shing

(Chief Executive Officer)

Mak Yee Mei

Non-executive Director

Ng Chi Keung

Independent Non-executive Directors

Joseph Chan Kai Nin

Peter Lau Kwok Kuen

Tony Tsoi Tong Hoo

Peter Wan Kam To

AUDIT COMMITTEE

Peter Wan Kam To *(Chairman)*

Ng Chi Keung

Joseph Chan Kai Nin

Tony Tsoi Tong Hoo

REMUNERATION COMMITTEE

Joseph Chan Kai Nin *(Chairman)*

Ng Chi Keung

Peter Lau Kwok Kuen

NOMINATION COMMITTEE

Dennis Lo Hoi Yeung *(Chairman)*

Peter Lau Kwok Kuen

Peter Wan Kam To

COMPANY SECRETARY

Mak Yee Mei

AUDITOR

KPMG

SOLICITORS

Mayer Brown JSM

Reed Smith Richards Butler

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited

Unit A, 29/F, Admiralty Centre 1

18 Harcourt Road, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

BNP Paribas Hong Kong Branch

The Bank of East Asia, Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

China Construction Bank (Asia)

Corporation Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

Standard Chartered Bank (Hong Kong)

Limited

UBS AG

REGISTERED OFFICE

Canon's Court, 22 Victoria Street

Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2/F, TRP Commercial Centre

18 Tanner Road, North Point, Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited

(formerly known as "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

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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 2016 together with the comparative figures for the six months ended 30 September 2015. 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 2016 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2016 \$'000	2015 \$'000
Revenue	4	1,256,604	1,176,124
Cost of sales		(1,060,784)	(983,234)
Gross profit		195,820	192,890
Other revenue	5	3,888	4,149
Other net losses	5	(5,378)	(4,096)
Net gain on disposal of non-current assets held for sale	12	–	11,710
Selling expenses		(12,690)	(14,102)
Administrative expenses		(59,147)	(61,297)
Valuation gain/(loss) on investment properties	10(a)	1,690	(1,420)
Impairment losses on property, plant and equipment	10(b)	–	(6,704)
Profit from operations		124,183	121,130
Finance costs	6(a)	(54)	(97)
Profit before taxation	6	124,129	121,033
Income tax	7	(20,298)	(19,080)
Profit for the period attributable to equity shareholders of the Company		103,831	101,953
Earnings per share			
Basic	9(a)	81.71 cents	80.63 cents
Diluted	9(b)	80.46 cents	80.13 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 2016 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2016	2015
	\$'000	\$'000
Profit for the period attributable to equity shareholders of the Company	103,831	101,953
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	(1,380)	(1,884)
Total comprehensive income for the period attributable to equity shareholders of the Company	102,451	100,069

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



Consolidated Statement of Financial Position

At 30 September 2016 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2016 \$'000	At 31 March 2016 \$'000
Non-current assets			
Investment properties	10	40,360	38,670
Other property, plant and equipment	10	432,246	378,955
Interests in leasehold land held for own use under operating leases	10	6,510	6,616
		479,116	424,241
Goodwill		1,001	1,001
Rental deposits paid		54,251	51,670
Other financial assets	11	8,130	8,405
Deferred tax assets		267	306
		542,765	485,623
Current assets			
Inventories	13	43,223	36,911
Trade and other receivables	14	87,774	70,706
Other financial assets	11	1,167	–
Bank deposits and cash	15	617,717	548,607
		749,881	656,224
Current liabilities			
Trade and other payables	16	387,597	363,860
Dividends payable		127,391	–
Bank loans		1,720	3,053
Current tax payable		26,244	16,102
Provisions	18	13,678	13,320
		556,630	396,335

Consolidated Statement of Financial Position

At 30 September 2016 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
	<i>Note</i>	
Net current assets	193,251	259,889
<hr/>		
Total assets less current liabilities	736,016	745,512
<hr/>		
Non-current liabilities		
Bank loans	2,723	3,583
Deferred tax liabilities	21,376	19,394
Rental deposits received	1,560	2,007
Provisions	<i>18</i> 46,249	44,190
	71,908	69,174
<hr/>		
NET ASSETS	664,108	676,338
<hr/>		
Capital and reserves		
Share capital	127,391	126,745
Reserves	536,717	549,593
<hr/>		
TOTAL EQUITY	664,108	676,338
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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 2016 – 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 2015 (audited)		126,341	8,948	1,974	4,831	768	457,302	600,164
Changes in equity for the six months ended 30 September 2015:								
Profit for the period		-	-	-	-	-	101,953	101,953
Other comprehensive income for the period		-	-	-	(1,884)	-	-	(1,884)
Total comprehensive income for the period		-	-	-	(1,884)	-	101,953	100,069
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(66,044)	(66,044)
Shares issued under share option scheme	17	870	5,461	-	-	-	-	6,331
Issue expenses		-	(17)	-	-	-	-	(17)
Equity-settled share-based transactions	6, 17	-	1,127	-	-	-	-	1,127
Repurchase of own shares								
– par value paid		(396)	-	-	-	-	-	(396)
– premium and transaction costs paid		-	(8,266)	-	-	-	-	(8,266)
Disposal of land and buildings	12	-	-	-	-	(241)	241	-
		474	(1,695)	-	(1,884)	(241)	36,150	32,804
At 30 September 2015 (unaudited)		126,815	7,253	1,974	2,947	527	493,452	632,968

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016 – unaudited (continued)

(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company

	Share capital Note	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 October 2015 (unaudited)	126,815	7,253	1,974	2,947	527	493,452	632,968
Changes in equity for the six months ended 31 March 2016:							
Profit for the period	-	-	-	-	-	98,825	98,825
Other comprehensive income for the period	-	-	-	(382)	-	-	(382)
Total comprehensive income for the period	-	-	-	(382)	-	98,825	98,443
Shares issued under share option scheme	17	232	1,313	-	-	-	1,545
Issue expenses	-	(21)	-	-	-	-	(21)
Dividends declared in respect of the previous year	8(a)	-	-	-	-	(50,725)	(50,725)
Equity-settled share-based transactions	6, 17	-	420	708	-	-	1,128
Repurchase of own shares							
– par value paid		(302)	-	-	-	-	(302)
– premium and transaction costs paid		-	(6,698)	-	-	-	(6,698)
	(70)	(4,986)	708	(382)	-	48,100	43,370
At 31 March 2016 (audited)	126,745	2,267	2,682	2,565	527	541,552	676,338



Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total \$'000
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	
At 1 April 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
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(127,391)	(127,391)
Shares issued under share option scheme	17	646	11,155	-	-	-	-	11,801
Issue expenses		-	(29)	-	-	-	-	(29)
Equity-settled share-based transactions	6, 17	-	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

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 2016 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended	
		30 September 2016 \$'000	2015 \$'000
Operating activities			
Cash generated from operations		142,727	188,578
Net tax paid		(8,135)	(6,819)
Net cash generated from operating activities		134,592	181,759
Investing activities			
Payment for purchase of property, plant and equipment		(74,112)	(45,710)
Increase in bank deposits with more than three months to maturity		(53,260)	–
Payment for purchase of other financial assets		(1,206)	–
Net proceeds from disposal of non-current assets held for sale	12	–	30,993
Other cash flows arising from investing activities		257	99
Net cash used in investing activities		(128,321)	(14,618)
Financing activities			
Proceeds from shares issued under share options scheme	17	11,801	6,331
Payment for repurchase of own shares		–	(8,662)
Repayment of bank loans		(2,193)	(2,194)
Other cash flows arising from financing activities		(29)	(19)
Net cash generated from/(used in) financing activities		9,579	(4,544)
Net increase in cash and cash equivalents		15,850	162,597
Cash and cash equivalents at 1 April		505,461	419,022
Cash and cash equivalents at 30 September	15	521,311	581,619

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 (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 29 November 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 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 2016 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2016.

2 Changes in accounting policies

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

3 Segment reporting

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

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

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



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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue from external customers	1,196,792	1,101,210	56,380	71,180	3,432	3,734	1,256,604	1,176,124
Inter-segment revenue	-	-	-	-	2,413	2,500	2,413	2,500
Reportable segment revenue	1,196,792	1,101,210	56,380	71,180	5,845	6,234	1,259,017	1,178,624
Reportable segment profit	114,567	109,295	2,049	2,161	5,811	5,951	122,427	117,407

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2016 \$'000	2015 \$'000
Profit		
Reportable segment profit before taxation	122,427	117,407
Net gain on disposal of non-current assets held for sale	-	11,710
Change in fair value of other financial liabilities		
at fair value through profit or loss	12	40
Valuation gain/(loss) on investment properties	1,690	(1,420)
Impairment losses on property, plant and equipment	-	(6,704)
Consolidated profit before taxation	124,129	121,033

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	
	2016	2015
	\$'000	\$'000
Sale of food and beverages	1,253,172	1,172,390
Property rental	3,432	3,734
	1,256,604	1,176,124

5 Other revenue and net losses

	Six months ended	
	30 September	
	2016	2015
	\$'000	\$'000
Other revenue		
Interest income	3,888	4,149
Other net losses		
Electric and gas range incentives	1,536	1,506
Profit on sale of redemption gifts	496	596
Net foreign exchange loss	(4,800)	(5,270)
Net loss on disposal of property, plant and equipment	(3,380)	(1,702)
Others	770	774
	(5,378)	(4,096)



6 Profit before taxation

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

	Six months ended 30 September	
	2016	2015
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest on bank borrowings	66	137
Change in fair value of other financial liabilities at fair value through profit or loss	(12)	(40)
	54	97
(b) <i>Other items</i>		
Cost of inventories (<i>Note</i>)	295,864	294,100
Depreciation	41,718	38,972
Amortisation of interests in leasehold land held for own use under operating leases	106	106
Equity-settled share-based payment expenses	938	1,127

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

7 Income tax

	Six months ended	
	30 September	
	2016	2015
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	18,277	20,017
Deferred tax		
Origination and reversal of temporary differences	2,021	(937)
	20,298	19,080

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 September 2016.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2016 and 2015 as the Group's Mainland China operations sustained a loss for taxation purpose for both periods.

8 Dividends

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

	Six months ended	
	30 September	
	2016	2015
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 34.0 cents (2015: 31.0 cents) per share	43,313	39,312
Special interim dividend declared and payable after the interim period of Nil (2015: 9.0 cents) per share	–	11,413
	43,313	50,725

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	
	2016	2015
	\$'000	\$'000
Final dividend in respect of the previous financial year ended 31 March 2016, approved and payable during the following interim period, of 55.0 cents (year ended 31 March 2015: 52.0 cents) per share	70,065	66,044
Special final dividend in respect of the previous financial year ended 31 March 2016, approved and payable during the following interim period, of 45.0 cents (year ended 31 March 2015: Nil) per share	57,326	–
	127,391	66,044

In respect of the dividend for the year ended 31 March 2016, there is a difference of \$355,000 (year ended 31 March 2015: \$347,000) between the final dividend and a difference of \$291,000 (year ended 31 March 2015: Nil) between the special final dividend disclosed in the 2016 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 2016 is based on the profit attributable to ordinary equity shareholders of the Company of \$103,831,000 (2015: \$101,953,000) and the weighted average number of ordinary shares of 127,067,000 shares (2015: 126,453,000 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 2016 is based on the profit attributable to ordinary equity shareholders of the Company of \$103,831,000 (2015: \$101,953,000) and the weighted average number of ordinary shares of 129,052,000 shares (2015: 127,237,000 shares), calculated as follows:

	Six months ended	
	30 September	
	2016	2015
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	127,067	126,453
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	1,985	784
	<hr/>	
Weighted average number of ordinary shares used in calculating diluted earnings per share	129,052	127,237
	<hr/> <hr/>	

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

- (a) All investment properties of the Group were revalued as at 30 September 2016 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2016 valuations. As a result, a gain of \$1,690,000 (six months ended 30 September 2015: a loss of \$1,420,000) has been credited to the consolidated statement of profit or loss.
- (b) During the six months ended 30 September 2015, the Group's management identified certain branches which continued to under-perform and estimated the recoverable amounts of the property, plant and equipment of those branches. Based on these estimates, the carrying amount of the property, plant and equipment was written down by \$6,704,000. 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 2016, the Group acquired items of property, plant and equipment with a cost of \$96,212,000 (six months ended 30 September 2015: \$59,156,000). Items of property, plant and equipment with a net book value of \$3,637,000 were disposed of during the six months ended 30 September 2016 (six months ended 30 September 2015: \$1,712,000).
- (d) At 30 September 2016, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$1,472,000 (31 March 2016: \$1,522,000).

11 Other financial assets

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Non-current financial assets		
Held-to-maturity debt security – Unlisted but quoted	8,130	8,405
Current financial assets		
Foreign currency medium-term note	1,167	–
	9,297	8,405

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

12 Non-current assets held for sale

During the year ended 31 March 2015, a sale and purchase agreement was entered into with a third party to dispose of certain leasehold land and buildings and investment properties with net proceeds of \$30,993,000. The transaction was completed on 30 April 2015 and a net gain on disposal of \$11,710,000 was recognised during the period ended 30 September 2015. Land and buildings revaluation reserve related to the disposed properties amounting to \$241,000 was transferred to retained profits thereupon.

13 Inventories

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

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Food and beverages	40,022	33,652
Consumables, packaging materials and other sundry items	3,201	3,259
	43,223	36,911

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

	Six months ended 30 September 2016 \$'000	2015 \$'000
Carrying amount of inventories sold	295,850	293,620
Write down of inventories	14	480
	295,864	294,100



14 Trade and other receivables

All debtors, deposits and prepayments of the Group, apart from certain utility deposits totalling \$4,750,000 (31 March 2016: \$3,867,000), 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 2016 \$'000	At 31 March 2016 \$'000
1 to 30 days	3,363	2,452
31 to 90 days	35	466
	3,398	2,918

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

15 Bank deposits and cash

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Deposits with banks	272,594	327,728
Cash at bank and on hand	248,717	177,733
Cash and cash equivalents in the condensed consolidated cash flow statement	521,311	505,461
Time bank deposits over three months	96,406	43,146
	617,717	548,607

16 Trade and other payables

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Creditors and accrued expenses	359,882	339,897
Receipts in advance and deferred income	27,138	23,906
Rental deposits received	577	45
Derivative financial instruments	–	12
	387,597	363,860

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

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
1 to 30 days	96,128	99,335
31 to 90 days	6,462	2,717
91 to 180 days	114	2,740
181 to 365 days	89	71
Over one year	703	668
	103,496	105,531



17 Equity-settled share-based transactions

During the six months ended 30 September 2016, share options were exercised to subscribe for 646,000 (six months ended 30 September 2015: 870,000) ordinary shares of the Company at a consideration of \$11,801,000 (six months ended 30 September 2015: \$6,331,000), of which \$646,000 (six months ended 30 September 2015: \$870,000) was credited to share capital and the balance of \$11,155,000 (six months ended 30 September 2015: \$5,461,000) was credited to the share premium account. \$549,000 (six months ended 30 September 2015: \$1,127,000) has been transferred from the capital reserve to the share premium account upon the exercise of the respective share options during the period.

18 Provisions

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Provision for long service payments	18,041	17,200
Provision for reinstatement costs for rented premises	41,886	40,310
	59,927	57,510
Less: Amount included under "current liabilities"	(13,678)	(13,320)
	46,249	44,190

19 Capital commitments

Capital commitments outstanding at 30 September 2016 not provided for in the Group's interim financial report were as follows:

	At 30 September 2016 \$'000	At 31 March 2016 \$'000
Contracted for	4,324	3,789
Authorised but not contracted for	10,774	18,466
	15,098	22,255

20 Contingent liabilities

At 30 September 2016, 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 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 \$82,723,000 (31 March 2016: \$79,139,000).

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.

21 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 2016 and 30 September 2016.

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 2016:

(a) *Remuneration for key management personnel of the Group for the six months ended 30 September 2016 is as follows:*

	Six months ended	
	30 September	
	2016	2015
	\$'000	\$'000
Salaries and other short-term employee benefits	10,429	9,968
Contribution to defined contribution retirement plans	27	27
	10,456	9,995



22 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 2015: \$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 beneficially owned by a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object). In addition, Mr Dennis Lo Hoi Yeung is a director of Hibony. Rental expenses incurred during the period amounted to \$1,518,000 (six months ended 30 September 2015: \$1,518,000).



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 25 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2016 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 2016 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 2016, the Group achieved satisfactory revenue growth of 6.8% to HK\$1,256.6 million compared with HK\$1,176.1 million for the corresponding period of last year. Profit attributable to equity shareholders increased by 1.8% from HK\$102.0 million to HK\$103.8 million. Profit from core operation, before the net gain on disposal of non-current assets held for sale, recorded an increase of 15.1% from HK\$90.2 million to HK\$103.8 million. Basic earnings per share were HK81.71 cents versus HK80.63 cents for the last corresponding period.

Business Review

Hong Kong

During the review period, our Hong Kong restaurant business has recorded an increase of 8.7% in revenue. We have aggressively expanded our footprint by opening seven new stores to broaden our reach to customers. Committed to driving organic growth, we have also taken steps beyond offering quality food, focusing on elevating every aspect of the customer experience, while maintaining the happy culture of our staff. All of these steps have contributed to the dynamism of Fairwood brand.

Fairwood enjoys an energetic, vibrant and modern image, which can directly be attributed to the spirit of “continuous improvement” that our management team fosters. We always strive to deliver the best food to our customers, which includes continuous enhancement of our signature products as well as new and innovative seasonal dishes. We are glad that these dishes have been very well-received by the public.

At Fairwood, we put our customers at the heart of what we do by constantly exceeding their needs. Motivated by our desire to better serve our customers, we have introduced table service to all stores during dinner hours. The service has set a new standard for the fast food industry — delivering a total dining experience that is welcomed by our patrons. We take great pride in being the pioneer within the industry, and are gratified by seeing our customers' happy faces.



Apart from providing the best experience to our customers, strong cost management is also essential to sustaining business development and enabling us to grow stronger. We have employed a variety of ways to manage costs and improve efficiency including global sourcing, effective menu planning to cater to customers' needs, excellent production planning, flexible manpower scheduling and automation of our central food processing plant. These measures have also enabled us to minimise food waste and better manage labour, resulting in improvement of operating profit.

Mainland China

In regard to our operations in Mainland China, profitability was maintained despite challenging and competitive business environment. We have opened one new store in Guangzhou in the first half of the year, and will remain prudent in our expansion efforts in Mainland China, focusing on the residential districts of Guangzhou and Shenzhen.

Network

During the review period, we have opened a total of ten new stores, of which nine were in Hong Kong and one was in Mainland China. We will continue to evaluate new locations for further bolstering our network. As of 30 September 2016, the Group has a total of 128 stores in operation in Hong Kong, including 121 fast food stores and seven specialty restaurants. In Mainland China, the Group operates ten stores.

Our desire to reach out to different customers' needs have prompted us to expand into the specialty restaurant segment. In particular, our new casual Japanese-Western restaurant, known as ASAP, is enjoying a favourable reception from our customers. Riding on the initial business model, our second restaurant will be opened in the second half-year.

Caring for our community

Connecting to senior citizens of the community has always been part of the Fairwood culture. That being said, we have implemented a series of initiatives, including the "Fairwood \$4 Meal Campaign" and "Fairwood Gives Warmth Campaign", etc.

To help our senior citizens as well as the physically challenged, we have sought to create stores that address their needs. We offer priority seating that includes movable seats located close to the entrance of restaurants for convenient access. We have also installed stick hooks, handrails in toilets and non-glare signage on our menu board for clearer reading. Since 2014, as part of the “Care for Seniors” program, we have issued more than 50,000 discount cards to our senior citizens as our appreciation of their past contributions to society.

A happy culture

We believe that creating a happy working environment will not only benefit our staff, but also enable us to offer a happy dining experience to our customers. We are proud of our staff whom we empower to better serve our customers. To better understand our staff, we have established focus groups to collect opinions and feedback from them, and to measure our staff engagement. We also offer customer-centric training programmes, advancement opportunities and team-building exercises to our staff for raising morale. Besides encouraging better service, such efforts also contribute towards achieving higher staff retention across all levels of the Group, which is essential in facilitating future success and growth.

Prospects

With the ever-increasing prominence of the Fairwood brand, we are confident that we will further strengthen our position in Hong Kong — a market in which we are deeply rooted and highly optimistic about. Going forward, we will persistently reinforce Fairwood’s brand power, continue to make every effort to ensure the consistent and excellent quality of our products and services and improve our operational efficiency so as to deliver meaningful returns to our shareholders.

Most importantly, we will keep listening to our customers while closely monitoring market trends. We will continue to focus on fostering a happy corporate culture and sharing our positive outlook with the Hong Kong public, while striving to sustain long-term growth. It is our mission to realise our motto “Enjoy Great Food. Live a Great Life!” by showing care to our customers, connecting to our community and exceeding our customers’ expectations in delivering happy dining experiences.



Financial Review

Liquidity and financial resources

As at 30 September 2016, total assets of the Group amounted to HK\$1,292.6 million (31 March 2016: HK\$1,141.8 million). The Group's working capital was HK\$193.3 million (31 March 2016: HK\$259.9 million), represented by total current assets of HK\$749.9 million (31 March 2016: HK\$656.2 million) against total current liabilities of HK\$556.6 million (31 March 2016: HK\$396.3 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (31 March 2016: 1.7). Total equity was HK\$664.1 million (31 March 2016: HK\$676.3 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2016, the Group had bank deposits and cash amounting to HK\$617.7 million (31 March 2016: HK\$548.6 million), representing an increase of 12.6%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2016, the Group had total bank loans of HK\$4.4 million (31 March 2016: HK\$6.6 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\$214.2 million (31 March 2016: HK\$215.6 million). The gearing ratio of the Group was 0.7% (31 March 2016: 1.0%), which was calculated based on the total bank loans over total equity.

Profitability

Annualised return on average equity was 31.0% (year ended 31 March 2016: 29.6%), being profit for the period attributable to equity shareholders of the Company before the net gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

Financial risk management

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

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\$1.5 million (31 March 2016: HK\$1.5 million).

Commitments

As at 30 September 2016, the Group's outstanding capital commitments was HK\$15.1 million (31 March 2016: HK\$22.3 million).

Contingent liabilities

As at 30 September 2016, 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\$82.7 million (31 March 2016: HK\$79.1 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

As at 30 September 2016, the total number of employees of the Group was approximately 5,200 (31 March 2016: 4,900). 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 2016, 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	43.60%
Chan Chee Shing	800,000	–	–	–	700,000	1,500,000	1.18%
Mak Yee Mei	1,040,000	–	–	–	360,000	1,400,000	1.10%

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



(b) *Interests in Fairwood Fast Food Limited*

	Number of Non-voting deferred shares				
	Personal interests	Family interests	Corporate interests	Other interests	Total
Dennis Lo Hoi Yeung	11,500	-	-	279,357 <i>(Note 2)</i>	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 2016, 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 2016, the Company maintained two share option schemes, namely, the 2002 Option Scheme and 2011 Option Scheme.

(a) 2002 Option Scheme

As at 30 September 2016, employee of the Company had the following interests in options to subscribe for shares of the Company pursuant to the 2002 Option Scheme:

	Date granted	Exercisable period	Number of options outstanding at 1 April 2016	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 2016	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	9 May 2011	9 May 2012 to 8 May 2019 (Note)	160,000	-	-	(160,000)	-	10.88	10.82	37.65

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



(b) 2011 Option Scheme

As at 30 September 2016, the Directors, associate of Directors and employees of the Company had the following interests in options to subscribe for shares of the Company pursuant to the 2011 Option Scheme:

	Date granted	Exercisable period	Number of options outstanding at 1 April 2016	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 2016	Exercise price per share HK\$	Closing price per share immediately before date of grant of options HK\$	Weighted average price of closing price per share immediately before date of exercise of options HK\$
Chan Chee Shing (Director)	20 April 2015	1 April 2016 to 31 March 2022 (Note 2)	700,000	-	-	-	700,000	20.70	20.80	-
Mak Yee Mei (Director)	20 April 2015	1 April 2016 to 31 March 2022 (Note 2)	400,000	-	-	(40,000)	360,000	20.70	20.80	38.00
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)	4,830,000	-	(132,000)	(446,000)	4,252,000	20.70	20.80	30.67
Employee	2 October 2015	1 October 2016 to 30 September 2022 (Note 3)	60,000	-	-	-	60,000	22.20	21.90	-

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 2016 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 2016, 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	38.29%
(ii) CFJ	6,660,000	5.23%
(iii) Winning Spirit International Corp. ("WSIC") (<i>Note 1</i>)	48,775,384	38.29%
(iv) HSBC International Trustee Limited ("HITL") (<i>Note 2</i>)	55,452,384	43.53%

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 2016.

Dividend

The Board declared an interim dividend of HK34.0 cents (2015: HK31.0 cents and a special interim dividend of HK9.0 cents) per share for the six months ended 30 September 2016 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 16 December 2016. The declared interim dividend represented a distribution of approximately 42% (2015: 50%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 30 December 2016.

Closure of register of members

The Register of Members of the Company will be closed from Wednesday, 14 December 2016 to Friday, 16 December 2016 (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 Tuesday, 13 December 2016 for registration.

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

During the six months ended 30 September 2016, 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 2016, save and except that the Chairman and the Managing Director (Chief Executive Officer) of the Company are not subject to retirement by rotation under the Bye-laws of the Company.

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

Audit committee

The audit committee comprises one Non-executive Director and three Independent Non-executive Directors 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 2016.

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 2016.

By order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 29 November 2016