2018·2019 INTERIM REPORT

大快活 Fairwood

FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 52)

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dennis Lo Hoi Yeung
(Executive Chairman)
Chan Chee Shing
(Chief Executive Officer)
Mak Yee Mei
Peggy Lee

Independent Non-executive Directors

Ng Chi Keung
Joseph Chan Kai Nin
Peter Lau Kwok Kuen
Tony Tsoi Tong Hoo
Peter Wan Kam To

AUDIT COMMITTEE

Peter Wan Kam To *(Chairman)*
Ng Chi Keung
Joseph Chan Kai Nin
Tony Tsoi Tong Hoo

REMUNERATION COMMITTEE

Joseph Chan Kai Nin *(Chairman)*
Ng Chi Keung
Peter Lau Kwok Kuen

NOMINATION COMMITTEE

Dennis Lo Hoi Yeung *(Chairman)*
Peter Lau Kwok Kuen
Peter Wan Kam To

COMPANY SECRETARY

Mak Yee Mei

AUDITOR

KPMG

SOLICITORS

Mayer Brown JSM
Reed Smith Richards Butler

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited
24/F, Admiralty Centre 1
18 Harcourt Road, Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.fairwoodholdings.com.hk

STOCK CODE

52

Interim Results

The Board of Directors (the "Board") of Fairwood Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2018 together with the comparative figures for the six months ended 30 September 2017. 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 2018 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2018	2017
	Note	***$'000***	*$'000*
Revenue	*4*	**1,472,992**	1,405,728
Cost of sales		**(1,271,009)**	(1,192,923)
Gross profit		**201,983**	212,805
Other revenue	*5*	**5,248**	3,657
Other net (loss)/gain	*5*	**(3,190)**	4,718
Selling expenses		**(15,126)**	(15,018)
Administrative expenses		**(64,814)**	(65,730)
Valuation (losses)/gains on investment properties	*10(a)*	**(2,150)**	1,680
Impairment losses on property, plant and equipment	*10(b)*	**(2,756)**	(5,085)
Profit from operations		**119,195**	137,027
Finance costs	*6(a)*	**(23)**	(31)
Profit before taxation	*6*	**119,172**	136,996
Income tax	*7*	**(18,512)**	(19,908)
Profit for the period attributable to equity shareholders of the Company		**100,660**	117,088
Earnings per share			
Basic	*9(a)*	**78.40 cents**	91.75 cents
Diluted	*9(b)*	**77.73 cents**	90.60 cents

The notes on pages 11 to 30 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 2018 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Profit for the period attributable to equity shareholders of the Company	**100,660**	117,088
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	**(5,262)**	2,216
Total comprehensive income for the period attributable to equity shareholders of the Company	**95,398**	119,304

The notes on pages 11 to 30 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Non-current assets			
Investment properties	10	**43,880**	46,030
Other property, plant and equipment	10	**484,870**	493,838
Interests in leasehold land held for own use under operating leases	10	**6,087**	6,192
		534,837	546,060
Goodwill		**1,001**	1,001
Rental deposits paid		**72,233**	71,602
Other financial assets	11	**7,850**	7,785
Deferred tax assets		**107**	107
		616,028	626,555
Current assets			
Inventories	12	**40,566**	40,500
Trade and other receivables	13	**101,706**	87,747
Other financial assets	11	**26,378**	16,246
Current tax recoverable		**89**	67
Bank deposits and cash	14	**615,651**	520,597
		784,390	665,157
Current liabilities			
Trade and other payables	15	**413,648**	430,890
Dividends payable		**135,208**	–
Bank loan		**1,147**	1,720
Current tax payable		**22,490**	10,491
Provisions	17	**12,722**	11,774
		585,215	454,875

Consolidated Statement of Financial Position

At 30 September 2018 – unaudited *(continued)*

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2018 $'000**	At 31 March 2018 $'000
Net current assets		**199,175**	210,282
Total assets less current liabilities		**815,203**	836,837
Non-current liabilities			
Bank loan		**–**	143
Deferred tax liabilities		**21,386**	24,614
Rental deposits received		**2,094**	2,165
Provisions	*17*	**46,971**	46,809
		70,451	73,731
NET ASSETS		**744,752**	763,106
Capital and reserves			
Share capital		**128,770**	127,793
Reserves		**615,982**	635,313
TOTAL EQUITY		**744,752**	763,106

The notes on pages 11 to 30 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018 – 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 2017 (audited)		127,164	7,240	3,948	285	527	576,128	715,292
Changes in equity for the six months ended 30 September 2017:								
Profit for the period		–	–	–	–	–	117,088	117,088
Other comprehensive income for the period		–	–	–	2,216	–	–	2,216
Total comprehensive income for the period		–	–	–	2,216	–	117,088	119,304
Shares issued under share option scheme	*16*	698	13,769	–	–	–	–	14,467
Issue expenses		–	(20)	–	–	–	–	(20)
Dividends approved in respect of the previous year	*8(b)*	–	–	–	–	–	(138,085)	(138,085)
Equity-settled share-based transactions	*6, 16*	–	454	276	–	–	–	730
Lapse of share options		–	–	(6)	–	–	6	–
		698	14,203	270	2,216	–	(20,991)	(3,604)
At 30 September 2017 (unaudited)		127,862	21,443	4,218	2,501	527	555,137	711,688

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018 – unaudited *(continued)*

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Exchange reserve *$'000*	Land and buildings revaluation reserve *$'000*	Retained profits *$'000*	Total *$'000*
At 1 October 2017 (unaudited)		127,862	21,443	4,218	2,501	527	555,137	711,688
Changes in equity for the six months ended 31 March 2018:								
Profit for the period		–	–	–	–	–	98,989	98,989
Other comprehensive income for the period		–	–	–	1,400	–	–	1,400
Total comprehensive income for the period		–	–	–	1,400	–	98,989	100,389
Shares issued under share option scheme		18	358	–	–	–	–	376
Issue expenses		–	(22)	–	–	–	–	(22)
Dividends declared in respect of the current year	8(a)	–	–	–	–	–	(47,313)	(47,313)
Equity-settled share-based transactions		–	14	658	–	–	–	672
Repurchase of own shares								
– par value paid		(87)	–	–	–	–	–	(87)
– premium and transaction costs paid		–	(2,597)	–	–	–	–	(2,597)
		(69)	(2,247)	658	1,400	–	51,676	51,418
At 31 March 2018 (audited)		127,793	19,196	4,876	3,901	527	606,813	763,106

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018 – unaudited *(continued)*

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Exchange reserve *$'000*	Land and buildings revaluation reserve *$'000*	Retained profits *$'000*	Total *$'000*
At 1 April 2018 (audited)		**127,793**	**19,196**	**4,876**	**3,901**	**527**	**606,813**	**763,106**
Changes in equity for the six months ended 30 September 2018:								
Profit for the period		–	–	–	–	–	**100,660**	**100,660**
Other comprehensive income for the period		–	–	–	**(5,262)**	–	–	**(5,262)**
Total comprehensive income for the period		–	–	–	**(5,262)**	–	**100,660**	**95,398**
Shares issued under share option scheme	*16*	**977**	**19,247**	–	–	–	–	**20,224**
Issue expenses		–	**(20)**	–	–	–	–	**(20)**
Dividends approved in respect of the previous year	*8(b)*	–	–	–	–	–	**(135,208)**	**(135,208)**
Equity-settled share-based transactions	*6, 16*	–	**891**	**365**	–	–	–	**1,256**
Cancellation of shares for share repurchased		–	**(4)**	–	–	–	–	**(4)**
		977	**20,114**	**365**	**(5,262)**	–	**(34,548)**	**(18,354)**
At 30 September 2018 (unaudited)		**128,770**	**39,310**	**5,241**	**(1,361)**	**527**	**572,265**	**744,752**

The notes on pages 11 to 30 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2018 $'000	2017 $'000
Operating activities			
Cash generated from operations		**158,219**	201,968
Net tax paid		**(9,763)**	(9,882)
Net cash generated from operating activities		**148,456**	192,086
Investing activities			
Payment for purchase of property, plant and equipment		**(61,420)**	(75,798)
Decrease in bank deposits with more than three months to maturity		**39,978**	52,695
Payment for purchase of other financial assets		**(11,491)**	(14,487)
Proceeds from redemption of other financial assets		**–**	1,132
Other cash flows arising from investing activities		**25**	4
Net cash used in investing activities		**(32,908)**	(36,454)
Financing activities			
Proceeds from shares issued under share option scheme	*16*	**20,224**	14,467
Repayment of bank loan		**(716)**	(860)
Other cash flows arising from financing activities		**(24)**	(20)
Net cash generated from financing activities		**19,484**	13,587
Net increase in cash and cash equivalents		**135,032**	169,219
Cash and cash equivalents at 1 April		**469,113**	423,769
Cash and cash equivalents at 30 September	*14*	**604,145**	592,988

The notes on pages 11 to 30 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 November 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 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 31 and 32 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 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 June 2018.

2 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

– HKFRS 9, *Financial instruments*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets. Details of the changes in accounting policies are discussed in note 2(a) for HKFRS 9:

(a) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets.

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

2 Changes in accounting policies *(continued)*

(a) HKFRS 9, Financial instruments (continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Changes in accounting policies *(continued)*

(a) HKFRS 9, Financial instruments (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018 *$'000*	Reclassification *$'000*	HKFRS 9 carrying amount at 1 April 2018 *$'000*
Debt securities at amortised cost	–	24,031	24,031
Held-to-maturities debt securities under HKAS 39	24,031	(24,031)	–

The measurement categories for all financial liabilities remain the same.

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.

3 Segment reporting *(continued)*

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

(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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**1,408,393**	1,340,875	**60,742**	61,238	**3,857**	3,615	**1,472,992**	1,405,728
Inter-segment revenue	**–**	–	**–**	–	**2,483**	2,398	**2,483**	2,398
Reportable segment revenue	**1,408,393**	1,340,875	**60,742**	61,238	**6,340**	6,013	**1,475,475**	1,408,126
Reportable segment profit	**110,055**	130,287	**6,412**	5,384	**7,611**	4,730	**124,078**	140,401

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

3 Segment reporting *(continued)*

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Profit		
Reportable segment profit before taxation	**124,078**	140,401
Valuation (losses)/gains on investment properties	**(2,150)**	1,680
Impairment losses on property, plant and equipment	**(2,756)**	(5,085)
Consolidated profit before taxation	**119,172**	136,996

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	
	2018	2017
	$'000	*$'000*
Sale of food and beverages	**1,469,135**	1,402,113
Property rental	**3,857**	3,615
	1,472,992	1,405,728

5 Other revenue and net (loss)/gain

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Other revenue		
Interest income	**5,248**	3,657
Other net (loss)/gain		
Electric and gas range incentives	**1,914**	1,864
Profit on sale of redemption gifts	**703**	659
Net foreign exchange (loss)/gain	**(5,287)**	3,122
Net loss on disposal of property, plant and equipment	**(1,615)**	(1,932)
Others	**1,095**	1,005
	(3,190)	4,718

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**23**	31
(b) Other items		
Cost of inventories *(Note)*	**344,960**	332,169
Depreciation	**50,421**	47,815
Amortisation of interests in leasehold land held for own use under operating leases	**105**	106
Equity-settled share-based payment expenses	**1,256**	730

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

7 Income tax

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**21,740**	21,455
Deferred tax		
Origination and reversal of temporary differences	**(3,228)**	(1,547)
	18,512	19,908

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 September 2018.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2018 as the Group's Mainland China operations sustained a loss for taxation purpose. No provision has been made for the PRC corporate income tax for the six months ended 30 September 2017 as the Group's Mainland China operations have accumulated tax losses brought forward from prior years to offset the estimated assessable profits.

8 Dividends

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

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Interim dividend declared and payable after the interim period of 37.0 cents (2017: 37.0 cents) per share	**47,645**	47,313

8 Dividends *(continued)*

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

In respect of the dividend for the six months ended 30 September 2017, there is a difference of $4,000 between the interim dividend disclosed in the 2017/2018 interim financial statements and amounts approved and payable after the interim 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.

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

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Final dividend in respect of the previous financial year ended 31 March 2018, approved and payable during the following interim period, of 105.0 cents (year ended 31 March 2017: 58.0 cents) per share	**135,208**	74,157
Special final dividend in respect of the previous financial year ended 31 March 2018, approved and payable during the following interim period, of nil cent (year ended 31 March 2017: 50.0 cents) per share	**–**	63,928
	135,208	138,085

In respect of the dividend for the year ended 31 March 2018, there is a difference of $1,025,000 (year ended 31 March 2017: $748,000) between the final dividend and special final dividend disclosed in the 2018 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 2018 is based on the profit attributable to ordinary equity shareholders of the Company of $100,660,000 (2017: $117,088,000) and the weighted average number of ordinary shares of 128,393,000 shares (2017: 127,622,000 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 2018 is based on the profit attributable to ordinary equity shareholders of the Company of $100,660,000 (2017: $117,088,000) and the weighted average number of ordinary shares of 129,500,000 shares (2017: 129,232,000 shares), calculated as follows:

	Six months ended 30 September	
	2018	2017
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**128,393**	127,622
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,107**	1,610
Weighted average number of ordinary shares used in calculating diluted earnings per share	**129,500**	129,232

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

(a) All investment properties of the Group were revalued as at 30 September 2018 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2018 valuations. As a result, losses of $2,150,000 (six months ended 30 September 2017: gains of $1,680,000) have been charged to the consolidated statement of profit or loss.

(b) During the six months ended 30 September 2018, the Group's management identified certain branches which continued to under-perform and estimated the recoverable amounts of the property, plant and equipment of these branches. Based on these estimates, the carrying amount of the property, plant and equipment was written down by $2,756,000 (six months ended 30 September 2017: $5,085,000) during the period. The aggregate recoverable amounts of two of these branches amounted to $2,097,000 (six months ended 30 September 2017: $4,774,000) based on their value in use. Apart from the above, the recoverable amount of the remaining impaired property, plant and equipment was minimal (six months ended 30 September 2017: the recoverable amount of the remaining impaired property, plant and equipment was minimal). The estimates of recoverable amount were based on the property, plant and equipment's value in use, determined using a discount rate of 15% (six months ended 30 September 2017: 15%).

(c) During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of $46,410,000 (six months ended 30 September 2017: $84,136,000). Items of property, plant and equipment with a net book value of $1,640,000 were disposed of during the six months ended 30 September 2018 (six months ended 30 September 2017: $1,938,000).

(d) At 30 September 2018, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to $1,272,000 (31 March 2018: $1,322,000).

11 Other financial assets

	At 30 September 2018 ***$'000***	At 31 March 2018 *$'000*
Non-current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	**7,850**	7,785
Current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	**26,378**	16,246
	34,228	24,031

The non-current debt securities represented medium term notes (a) issued by a financial institution in Mainland China, denominated in United States dollars, bears interest at a rate of 2.8% per annum with the maturity up to 20 October 2020; and (b) issued by a financial institution in Luxembourg, denominated in United States dollars, bears interest at a rate of 2.3% per annum with the maturity up to 12 July 2021.

The current debt securities represented medium term notes (a) issued by financial institutions in Mainland China, denominated in Renminbi, bear interests at rates of 3.6% and 3.8% per annum with the maturity up to 13 November 2018 and 19 November 2018 respectively; and (b) certificate of deposit issued by a financial institution in Sydney, Australia, denominated in Renminbi, bears interest at a rate of 3.6% per annum with the maturity up to 29 July 2019.

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 2018 and 30 September 2018.

12 Inventories

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

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Food and beverages	**36,911**	36,206
Consumables, packaging materials and other sundry items	**3,655**	4,294
	40,566	40,500

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

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Carrying amount of inventories sold	**344,932**	332,103
Write-down of inventories	**28**	66
	344,960	332,169

13 Trade and other receivables

All debtors, deposits and prepayments of the Group, apart from certain utility deposits totalling $5,947,000 (31 March 2018: $5,606,000), 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 2018	At 31 March 2018
	$'000	*$'000*
1 to 30 days	**10,738**	7,553
31 to 90 days	**540**	53
	11,278	7,606

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

14 Bank deposits and cash

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Deposits with banks	**481,239**	296,549
Cash at bank and in hand	**122,906**	172,564
Cash and cash equivalents in the condensed consolidated cash flow statement	**604,145**	469,113
Bank deposits over three months	**11,506**	51,484
	615,651	520,597

15 Trade and other payables

	At 30 September 2018 $'000	At 31 March 2018 $'000
Creditors and accrued expenses	**384,779**	401,464
Receipts in advance and deferred income	**28,748**	29,377
Rental deposits received	**121**	49
	413,648	430,890

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

	At 30 September 2018 $'000	At 31 March 2018 $'000
1 to 30 days	**112,023**	116,504
31 to 90 days	**4,123**	334
91 to 180 days	**655**	91
181 to 365 days	**16**	8
Over one year	**338**	362
	117,155	117,299

16 Equity-settled share-based transactions

On 20 April 2018, 1,100,000 share options were granted for nil consideration to employees of the Company under the Company's employee share option scheme (no share option was granted during the six months ended 30 September 2017). Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will be exercisable in five tranches with validity period commencing from 1 April 2019 and ending on 31 March 2025. The exercise price is $30.14, being the average closing price of the Company's ordinary shares for the five business days immediately before the grant.

During the six months ended 30 September 2018, share options were exercised to subscribe for 977,000 (six months ended 30 September 2017: 698,000) ordinary shares of the Company at a consideration of $20,224,000 (six months ended 30 September 2017: $14,467,000), of which $977,000 (six months ended 30 September 2017: $698,000) was credited to share capital and the balance of $19,247,000 (six months ended 30 September 2017: $13,769,000) was credited to the share premium account. $891,000 (six months ended 30 September 2017: $454,000) has been transferred from the capital reserve to the share premium account upon the exercise of the respective share options during the period.

17 Provisions

	At 30 September 2018 **$'000**	At 31 March 2018 *$'000*
Provision for long service payments	**12,471**	12,273
Provision for reinstatement costs for rented premises	**47,222**	46,310
	59,693	58,583
Less: Amount included under "current liabilities"	**(12,722)**	(11,774)
	46,971	46,809

18 Capital commitments

Capital commitments outstanding at 30 September 2018 not provided for in the Group's interim financial report were as follows:

	At 30 September 2018	At 31 March 2018
	$'000	*$'000*
Contracted for	**7,126**	4,878
Authorised but not contracted for	**9,022**	11,907
	16,148	16,785

19 Contingent liabilities

At 30 September 2018, guarantees were given to banks by the Company in respect of mortgage loan and other banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by all the subsidiaries that are covered by the guarantees, being $90,160,000 (31 March 2018: $93,208,000).

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

20 Fair value measurement of financial instruments

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2018 and 30 September 2018.

21 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 September 2018:

(a) *Remuneration for key management personnel of the Group for the six months ended 30 September 2018 is as follows:*

	Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Salaries and other short-term employee benefits	**12,630**	11,114
Contribution to defined contribution retirement plans	**36**	27
	12,666	11,141

(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 $1,311,000 (six months ended 30 September 2017: $1,140,000).

(c) During the period, a subsidiary of the Company leased a property from Hibony Limited ("Hibony"). Hibony is a company beneficially owned by Pengto International Limited (a company owned by Mr Dennis Lo Hoi Yeung solely). In addition, Mr Dennis Lo Hoi Yeung is a director of Hibony. Rental expenses incurred during the period amounted to $1,560,000 (six months ended 30 September 2017: $1,518,000).

22 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2018

A number of amendments and new standards are effective for annual periods beginning after 1 April 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

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

HKFRS 16, Leases

As discussed in 2018 annual financial statements, HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 September 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to $968,314,000 for properties, the majority of which is payable more than a year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group is in the process of performing a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. HKFRS 16 is not expected to impact significantly on the way lessors account for their rights and obligations under a lease. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 3 to 30 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2018 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 2018 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

27 November 2018

Management Discussion and Analysis

Overall performance

For the six months ended 30 September 2018, the revenue of the Group recorded a modest increase of 4.8% to HK$1,473.0 million (2017: HK$1,405.7 million). Gross profit margin was 13.7% (2017: 15.1%). The profit attributable to equity shareholders of the Company was HK$100.7 million (2017: HK$117.1 million), dropped by 14.0% when compared with the last corresponding period. Basic earnings per share were HK78.40 cents (2017: HK91.75 cents).

The Feel Good Movement

At Fairwood, "customer-centricity" has always been one of our core values. To this end, we launched the "Feel Good Movement" in 2016, sharing our passion for delivering exceptional dining experiences with our customers and community. In just two years, we have received remarkably favourable feedback from the public. We trust that the Movement will gain even greater traction as we continue to offer quality food, a greater variety of menu items, heartfelt service and pleasant dining environments.

Many of our customers are now requesting healthier food options to meet their lifestyle needs; hence we have been increasing the number of nutritious dishes on offer. These include dishes in the "No-MSG-added" series, "Tasty and Green" series and "Wholesome Delight" series. Furthermore, the industry-first "Low-sodium" series that we introduced last year has been warmly received by our customers. We have recently launched more "Low-sodium" dishes which feature lean and healthy meat choices, such as ostrich, which is high in protein and low in fat, calories and cholesterol, allowing our customers to enjoy delicious meals while also adhering to the World Health Organisation's recommendation of consuming less than one teaspoon of salt per day.

Our commitment to customer-centricity is also expressed through the "Delivered to Your Table" service, which we pioneered. Since its introduction, the service has been highly acclaimed, particularly by the elderly, as they can now enjoy their food with more comfort and ease of access. To provide even more convenience to our patrons, the "Delivered to Your Table" service, which was originally limited to dinner hours, has now been extended to dishes that are made to order, as well as to individuals with special needs.

To elevate our dining environment, we have introduced our "Third Generation" orange-themed interior design to more restaurants. Created by a young Hong Kong interior designer, the concept incorporates elements of street art, building materials and architectural features that are unique and distinctly Hong Kong, highlighting the city's inimitable style and underlining Fairwood's strong local roots. In total, one-third of our restaurants have now been renovated with this new interior design.

While the "Feel Good Movement" strives to create happy customers, it must be complemented by a happy team; which is why we consistently focused on reinforcing a happy culture. Through organised retreats and other incentives, we continue to strengthen the bond with our employees, thus improving retention and encouraging more heartfelt customer service.

As we continue to promote and develop the "Feel Good Movement", whether by offering more healthy, high-quality dishes to meet our customers' lifestyle needs, elevating our level of service and instilling pride in our employees, or improving the dining environment in our restaurants, we will do so guided by our corporate mission: "Enjoy Great Food. Live a Great Life!".

Business review

Hong Kong

During the review period, the revenue of Hong Kong restaurants increased by approximately 5% while the profitability was impacted by the challenging business conditions. Nonetheless, due to our agility, we were able to keep a positive result.

To ensure that our food is always of the highest quality, we have continued to place importance on global sourcing and quality control. The Group's central food processing plant has played an important role in maintaining consistently high food quality, and achieving it with greater efficiency through automation. Furthermore, we have enhanced our quality control lab, which conducts regular food inspections to ensure that our standards are met.

In view of the labour shortage that is impacting the industry, we have introduced a number of measures, including the nurturing of a happy work culture to increase our staff's sense of belonging. Correspondingly, we provide development programmes that enable our employees to shape their own career progression, while attracting more young talent to the Group. In addition, a number of activities are held to express appreciation and recognition of our team members' efforts. We continue to offer flexible scheduling to facilitate our front line staff's different work hour requirements, supported by the SAP Enterprise Resources Planning ("ERP") system. Our central food processing plant also provides additional support in terms of streamlining workflow at stores.

The Group has been seeking to further grow its footprint in Hong Kong. During the review period, we opened five new Fairwood restaurants, and continued to execute an expansion plan. Regarding our specialty restaurants, both ASAP and Taiwan Bowl have been well received by our customers and we have listened to their feedback and continuously improved the menu and service provided. In view of this encouraging performance, we are currently seeking suitable locations to expand their respective networks.

Mainland China

Our Mainland China business has been adopting the same "Feel Good Movement" as employed in Hong Kong, which has proven to be successful. The business has also been driven by the public's strong demand for takeaway food. Plans have been drawn for opening more small-sized restaurants that will mainly cater to takeaway customers. Moreover, the Group will continue to partner with two of the largest local food delivery service providers, namely Meituan and Ele.me. In the coming year, we will continue to focus our expansion on the southern region of Mainland China.

Network

As of 30 September 2018, the Group has a total of 148 stores in operation in Hong Kong, including 138 fast food stores and ten specialty restaurants. In Mainland China, the Group operates ten fast food stores.

Giving back to the community

Engaging and giving back to the community have always been an important part of our business. We have distributed more than 160,000 "Care for Seniors" discount cards since initiating the programme back in 2014. This figure represents approximately 14% of the Senior Citizen Card holders in Hong Kong, and is our way of expressing gratitude for their past contributions to the city's progress. We have continued to expand other corporate social responsibility (CSR) initiatives, including the "Fairwood Give Warmth Campaign". We are also proud to be a pioneer in community engagement. Through the efforts of our community ambassadors, we have been able to better understand and appreciate the needs of specific communities and districts, leading to the development of more services and programmes that enhance the dining experience at our stores, particularly for the elderly.

Prospects

Looking ahead, our optimism about the fast food industry in Hong Kong remains unchanged, and we are confident that the Group will achieve encouraging results going forward. To support our growth momentum, we will continue to promote the "Feel Good Movement" to the wider Hong Kong community by offering comprehensive dining experiences for our customers. This will include providing innovative and delicious food, heart-warming service and pleasant dining ambience for all our customers. Furthermore, we will adopt a network expansion strategy in Hong Kong, while taking a more moderate view towards developing our specialty restaurant operations. All in all, we are on course to realising our vision of becoming the most appreciated F&B management group, helping our customers to "Enjoy Great Food. Live a Great Life!" and building a happy and appreciative work environment for our staff.

Financial Review

Liquidity and financial resources

As at 30 September 2018, total assets of the Group amounted to HK$1,400.4 million (31 March 2018: HK$1,291.7 million). The Group's working capital was HK$199.2 million (31 March 2018: HK$210.3 million), represented by total current assets of HK$784.4 million (31 March 2018: HK$665.2 million) against total current liabilities of HK$585.2 million (31 March 2018: HK$454.9 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (31 March 2018: 1.5). Total equity was HK$744.8 million (31 March 2018: HK$763.1 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2018, the Group had bank deposits and cash amounting to HK$615.7 million (31 March 2018: HK$520.6 million), representing an increase of 18.3%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2018, the Group had total bank loans of HK$1.1 million (31 March 2018: HK$1.9 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$220.0 million (31 March 2018: HK$213.7 million). The gearing ratio of the Group was 0.2% (31 March 2018: 0.2%), which was calculated based on the total bank loans over total equity.

Profitability

Annualised return on average equity was 26.7% (year ended 31 March 2018: 29.2%), being profit for the period attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

Financial risk management

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

Charges on the Group's assets

As at the end of the reporting period, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$1.3 million (31 March 2018: HK$1.3 million).

Commitments

As at 30 September 2018, the Group's outstanding capital commitments was HK$16.1 million (31 March 2018: HK$16.8 million).

Contingent liabilities

As at 30 September 2018, 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$90.2 million (31 March 2018: HK$93.2 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 2018, the total number of employees of the Group was approximately 5,600 (31 March 2018: 5,600). 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 2018, 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	43.13%
Chan Chee Shing	900,000	–	–	–	600,000	1,500,000	1.16%
Mak Yee Mei	1,180,000	–	–	–	220,000	1,400,000	1.09%
Peggy Lee	340,000	–	–	–	155,000	495,000	0.38%

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

(b) *Interests in Fairwood Fast Food Limited*

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

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

All the interests stated above represent long positions.

Apart from the foregoing and those disclosed under the section "Share option scheme" below, as at 30 September 2018, 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 2018, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company pursuant to the share option scheme of the Company:

	Date granted	Exercisable period	Number of options outstanding at 1 April 2018	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 2018	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	–	–	(100,000)	600,000	20.70	20.80	29.70
Mak Yee Mei *(Director)*	20 April 2015	1 April 2016 to 31 March 2022 *(Note 2)*	300,000	–	–	(80,000)	220,000	20.70	20.80	29.70
Peggy Lee *(Director)*	(a) 20 April 2015	1 April 2016 to 31 March 2022 *(Note 2)*	150,000	–	–	(40,000)	110,000	20.70	20.80	30.05
	(b) 2 October 2015	1 October 2016 to 30 September 2022 *(Note 3)*	45,000	–	–	–	45,000	22.20	21.90	–
Employee *(Note 1)*	(a) 20 April 2015	1 April 2016 to 31 March 2022 *(Note 2)*	40,000	–	–	–	40,000	20.70	20.80	–
	(b) 20 April 2018	1 April 2019 to 31 March 2025 *(Note 4)*	–	40,000	–	–	40,000	30.14	30.25	–
Employees	20 April 2015	1 April 2016 to 31 March 2022 *(Note 2)*	3,188,000	–	(126,500)	(757,000)	2,304,500	20.70	20.80	30.08
Employees	20 April 2018	1 April 2019 to 31 March 2025 *(Note 4)*	–	1,060,000	–	–	1,060,000	30.14	30.25	–

Note 1: Mr LO Fai Shing, Francis who holds the position of General 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;

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; and

Note 4: These options shall vest in five tranches as follows : 10% on 1 April 2019, 15% on 1 April 2020, 20% on 1 April 2021, 25% on 1 April 2022 and the remaining 30% on 1 April 2023.

Apart from the foregoing, at no time during the six months ended 30 September 2018 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 2018, 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 *(Note 1)*	48,775,384	37.88%
(ii)	CFJ	6,660,000	5.17%
(iii)	Winning Spirit International Corp. ("WSIC") *(Note 1)*	48,775,384	37.88%
(iv)	HSBC International Trustee Limited ("HITL") *(Note 2)*	55,459,384	43.07%

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 24,000 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 2018.

Dividend

The Board declared an interim dividend of HK37.0 cents (2017: HK37.0 cents) per share for the six months ended 30 September 2018 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 14 December 2018. The declared dividend represented a distribution of approximately 47% (2017: 40%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Monday, 31 December 2018.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 12 December 2018 to Friday, 14 December 2018 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 11 December 2018 for registration.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 September 2018, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	*HK$*	*HK$*
September 2018	22,500	27.20	27.15	611,875

The above repurchased shares were cancelled on 22 November 2018 but the nominal value of these shares was not deducted from the issued share capital of the Company as at 30 September 2018.

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 2018, save and except that the Chairman and the Managing Director (Chief Executive Officer) of the Company are not subject to retirement by rotation under the Bye-laws of the Company.

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

Audit Committee

The audit committee comprises four Independent Non-executive Directors of the Company and reports to the Board. The audit committee has reviewed with the management and the Company's external auditors the unaudited financial information and interim results for the six months ended 30 September 2018.

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 2018.

By order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 27 November 2018