



2020 · 2021 INTERIM REPORT

FAIRWOOD HOLDINGS LIMITED

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



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dennis Lo Hoi Yeung (*Executive Chairman*)
Lo Fai Shing Francis (*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
*Public Interest Entity Auditor
registered in accordance with the
Financial Reporting Council Ordinance*

SOLICITORS

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

REGISTERED OFFICE

Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM10, 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

Ocorian Management (Bermuda) Limited
*formerly known as "Esteria Management
(Bermuda) Limited"*
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM10, 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

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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 2020 together with the comparative figures for the six months ended 30 September 2019. The results have been reviewed by the Company's auditor, KPMG, and the Company's audit committee.

Consolidated Statement of Profit or Loss For the six months ended 30 September 2020 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
	<i>Note</i>	2020 \$'000	2019 \$'000
Revenue	4	1,286,985	1,538,972
Cost of sales		(1,115,704)	(1,365,823)
Gross profit		171,281	173,149
Other revenue	5	23,464	5,814
Other net loss	5	(710)	(1,839)
Selling expenses		(14,534)	(16,069)
Administrative expenses		(54,809)	(62,748)
Valuation losses on investment properties	10(a)	(3,500)	(3,310)
Impairment losses on other property, plant and equipment	10(b)	(18,260)	(5,194)
Impairment losses on right-of-use assets	11	(29,259)	(729)
Profit from operations		73,673	89,074
Finance costs	6(a)	(19,295)	(18,430)
Profit before taxation	6	54,378	70,644
Income tax credit/(expense)	7	10,573	(13,382)
Profit for the period attributable to equity shareholders of the Company		64,951	57,262
Earnings per share			
Basic	9(a)	50.14 cents	44.28 cents
Diluted	9(b)	50.14 cents	44.11 cents

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Profit for the period attributable to equity shareholders of the Company	64,951	57,262
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	2,283	(2,196)
Total comprehensive income for the period attributable to equity shareholders of the Company	67,234	55,066

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



Consolidated Statement of Financial Position

At 30 September 2020 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2020 \$'000	At 31 March 2020 \$'000
Non-current assets			
Investment properties	10	34,900	38,400
Other property, plant and equipment	10	463,677	474,711
Right-of-use assets	11	1,208,597	1,433,611
		1,707,174	1,946,722
Goodwill		1,001	1,001
Rental deposits paid		78,675	76,732
Other financial assets	12	11,600	15,821
Lease receivables		3,826	–
Deferred tax assets		22	22
		1,802,298	2,040,298
Current assets			
Inventories	13	46,467	50,828
Trade and other receivables	14	122,462	90,181
Lease receivables		2,239	–
Other financial assets	12	7,797	3,141
Current tax recoverable		25,160	13,423
Bank deposits and cash and cash equivalents	15	562,021	511,047
		766,146	668,620
Current liabilities			
Trade and other payables	16	389,060	418,445
Dividends payable		64,767	–
Lease liabilities		442,293	479,851
Current tax payable		15	–
Provisions	18	18,556	17,356
		914,691	915,652

Consolidated Statement of Financial Position

At 30 September 2020 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Note		
Net current liabilities	(148,545)	(247,032)
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Total assets less current liabilities	1,653,753	1,793,266
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Non-current liabilities		
Lease liabilities	849,258	981,512
Deferred tax liabilities	5,125	14,036
Rental deposits received	1,768	1,173
Provisions	18 73,572	75,739
	929,723	1,072,460
<hr style="border-top: 1px dashed black;"/>		
NET ASSETS	724,030	720,806
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Capital and reserves		
Share capital	129,533	129,533
Reserves	594,497	591,273
	724,030	720,806
TOTAL EQUITY	724,030	720,806
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The notes on pages 11 to 28 form part of this interim financial report.



Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020 – 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 2019 (audited)		128,650	36,131	6,470	1,945	527	603,955	777,678
<hr/>								
Changes in equity for the six months ended 30 September 2019:								
Profit for the period		-	-	-	-	-	57,262	57,262
Other comprehensive income for the period		-	-	-	(2,196)	-	-	(2,196)
<hr/>								
Total comprehensive income for the period		-	-	-	(2,196)	-	57,262	55,066
Shares issued under share option scheme	17	883	17,385	-	-	-	-	18,268
Issue expenses		-	(19)	-	-	-	-	(19)
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(104,922)	(104,922)
Equity-settled share-based transactions	6, 17	-	1,340	(478)	-	-	-	862
<hr/>								
		883	18,706	(478)	(2,196)	-	(47,660)	(30,745)
<hr/>								
At 30 September 2019 (unaudited)		129,533	54,837	5,992	(251)	527	556,295	746,933

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020 – 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 2019 (unaudited)	129,533	54,837	5,992	(251)	527	556,295	746,933
<hr style="border-top: 1px dashed black;"/>							
Changes in equity for the six months ended 31 March 2020:							
Profit for the period	–	–	–	–	–	3,605	3,605
Other comprehensive income for the period	–	–	–	(649)	–	–	(649)
<hr/>							
Total comprehensive income for the period	–	–	–	(649)	–	3,605	2,956
Issue expenses	–	(5)	–	–	–	–	(5)
Dividends declared in respect of the current year	8(a)	–	–	–	–	(29,793)	(29,793)
Equity-settled share-based transactions	–	–	695	–	–	20	715
<hr/>							
	–	(5)	695	(649)	–	(26,168)	(26,127)
<hr style="border-top: 1px dashed black;"/>							
At 31 March 2020 (audited)	129,533	54,832	6,687	(900)	527	530,127	720,806



Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Capital reserve	Exchange reserve	Land and buildings revaluation reserve	Retained profits	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2020 (audited)	129,533	54,832	6,687	(900)	527	530,127	720,806
<hr/>							
Changes in equity for the six months ended 30 September 2020:							
Profit for the period	-	-	-	-	-	64,951	64,951
Other comprehensive income for the period	-	-	-	2,283	-	-	2,283
<hr/>							
Total comprehensive income for the period	-	-	-	2,283	-	64,951	67,234
Dividends approved in respect of the previous year	8(b)	-	-	-	-	(64,767)	(64,767)
Lapse and cancellation of share options		-	(1,255)	-	-	1,255	-
Equity-settled share-based transactions	6, 17	-	757	-	-	-	757
<hr/>							
	-	-	(498)	2,283	-	1,439	3,224
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At 30 September 2020 (unaudited)	129,533	54,832	6,189	1,383	527	531,566	724,030

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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2020 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2020 \$'000	2019 \$'000
Operating activities			
Cash generated from operations		353,007	352,798
Net tax paid		(10,060)	(9,895)
Net cash generated from operating activities		342,947	342,903
Investing activities			
Payment for purchase of other property, plant and equipment		(63,826)	(58,560)
Increase in bank deposits with more than three months to maturity		(10,000)	–
Proceeds from maturity of other financial assets		–	11,366
Net proceeds from disposal of other property, plant and equipment		294	–
Other cash flows arising from investing activities		506	5
Net cash used in investing activities		(73,026)	(47,189)
Financing activities			
Capital element of lease rentals paid		(209,926)	(178,191)
Interest element of lease rentals paid		(19,295)	(18,430)
Proceeds from shares issued under share options scheme	17	–	18,268
Repayment of bank loan		–	(143)
Other cash flows arising from financing activities		–	(19)
Net cash used in financing activities		(229,221)	(178,515)
Net increase in cash and cash equivalents		40,700	117,199
Cash and cash equivalents at 1 April		511,047	519,854
Effect of foreign exchange rate changes		274	(790)
Cash and cash equivalents at 30 September	15	552,021	636,263

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



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“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 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

Due to the adoption of Hong Kong Financial Reporting Standard (“HKFRS”) 16, *Leases* commencing 1 April 2019, the Group recognised lease liabilities of \$442,293,000 under current liabilities as at 30 September 2020. As at 30 September 2020, the Group’s total current assets were \$766,146,000 (31 March 2020: \$668,620,000) and total current liabilities were \$914,691,000 (31 March 2020: \$915,652,000).

Despite the net current liabilities as at 30 September 2020, the Group’s bank deposits and cash and cash equivalents amounted to \$562,021,000 (31 March 2020: \$511,047,000) on the same day and the Group reported a profit before tax of \$54,378,000 (2019: \$70,644,000) and recorded net cash generated from operating activities of \$342,947,000 (2019: \$342,903,000) during the six months ended 30 September 2020. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 September 2020, the directors are of the opinion that anticipated cash flows generated from the Group’s operations can strengthen the Group’s financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 September 2020. Accordingly, the consolidated interim financial statements have been prepared on a going concern basis.

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 2020 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”).

1 Basis of preparation *(continued)*

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

The financial information relating to the financial year ended 31 March 2020 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 2020 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 30 June 2020.

2 Changes in accounting policies

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

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



3 Segment reporting

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

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

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

(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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue from external customers	1,235,507	1,468,640	48,452	66,503	3,026	3,829	1,286,985	1,538,972
Inter-segment revenue	–	–	–	–	1,260	2,428	1,260	2,428
Reportable segment revenue	1,235,507	1,468,640	48,452	66,503	4,286	6,257	1,288,245	1,541,400
Reportable segment profit/(loss)	114,383	72,842	(12,229)	187	3,243	6,848	105,397	79,877

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	
	2020	2019
	\$'000	\$'000
Profit		
Reportable segment profit before taxation	105,397	79,877
Valuation losses on investment properties	(3,500)	(3,310)
Impairment losses on other property, plant and equipment	(18,260)	(5,194)
Impairment losses on right-of-use assets	(29,259)	(729)
	<hr/>	
Consolidated profit before taxation	54,378	70,644
	<hr/> <hr/>	

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	
	2020	2019
	\$'000	\$'000
Sale of food and beverages	1,283,959	1,535,143
Property rental	3,026	3,829
	<hr/>	
	1,286,985	1,538,972
	<hr/> <hr/>	



5 Other revenue and net loss

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Other revenue		
Interest income	2,578	5,814
Government grants (Note)	20,886	–
	23,464	5,814
Other net loss		
Electric and gas range incentives	2,476	2,095
Profit on sale of redemption gifts	436	493
Net foreign exchange gain/(loss)	784	(4,284)
Net loss on disposal of other property, plant and equipment	(7,002)	(2,480)
Others	2,596	2,337
	(710)	(1,839)

Note: This mainly represented subsidies approved by the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region ("HKSAR") for Food Licence Holders Subsidy Scheme to cope with the operating pressure caused by the novel coronavirus epidemic.

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest expense on lease liabilities	19,295	18,430
(b) <i>Other items</i>		
Cost of inventories (<i>Note (i)</i>)	316,280	360,886
Depreciation		
– other property, plant and equipment	51,607	52,967
– right-of-use assets	230,231	198,388
Staff costs (<i>Note (ii)</i>)	325,050	500,951
Equity-settled share-based payment expenses	757	862

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

Note (ii): The item is net of employment support scheme subsidies from HKSAR Government of \$122,031,000.



7 Income tax (credit)/expense

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	37	17,889
Over-provision in respect of prior years	(1,699)	–
	(1,662)	17,889
Deferred tax		
Origination and reversal of temporary differences	(8,911)	(4,507)
	(10,573)	13,382

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the six months ended 30 September 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2.0 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2020 and 2019, as the Group's Mainland China operations sustained a loss for taxation purpose.

8 Dividends

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

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 30.0 cents (2019: 23.0 cents) per share	38,860	29,793

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	
	2020	2019
	\$'000	\$'000
Final dividend in respect of the previous financial year ended 31 March 2020, approved and payable during the following interim period, of 50.0 cents (year ended 31 March 2019: 81.0 cents) per share	64,767	104,922

In respect of the dividend for the year ended 31 March 2020, there is a difference of \$nil (year ended 31 March 2019: \$715,000) between the final dividend disclosed in the 2020 annual financial statements and amounts approved and payable during the period. The difference represented 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 2020 is based on the profit attributable to ordinary equity shareholders of the Company of \$64,951,000 (2019: \$57,262,000) and the weighted average number of ordinary shares of 129,533,000 shares (2019: 129,330,000 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 2020 is based on the profit attributable to ordinary equity shareholders of the Company of \$64,951,000 (2019: \$57,262,000) and the weighted average number of ordinary shares of 129,533,000 shares (2019: 129,808,000 shares), calculated as follows:

	Six months ended 30 September	
	2020	2019
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	129,533	129,330
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	–	478
<hr/>		
Weighted average number of ordinary shares used in calculating diluted earnings per share	129,533	129,808

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

- (a) All investment properties of the Group were revalued as at 30 September 2020 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2020 valuations. As a result, losses of \$3,500,000 (six months ended 30 September 2019: losses of \$3,310,000) have been charged to the consolidated statement of profit or loss.
- (b) During the six months ended 30 September 2020, the Group's management identified certain restaurants which continued to under-perform and estimated the recoverable amounts of the right-of-use assets and other property, plant and equipment of these restaurants. Based on these estimates, the carrying amount of the right-of-use assets and other property, plant and equipment was written down by \$29,259,000 (six months ended 30 September 2019: \$729,000) and \$18,260,000 (six months ended 30 September 2019: \$5,194,000) respectively during the period. The aggregate recoverable amounts of thirty two of these restaurants amounted to \$37,480,000 (six months ended 30 September 2019: four of these restaurants amounted to \$3,486,000) based on their value in use. Apart from the above, the recoverable amount of the remaining impaired right-of-use assets and other property, plant and equipment were minimal (six months ended 30 September 2019: the recoverable amount of the remaining impaired right-of-use assets and other property, plant and equipment was minimal). The estimates of recoverable amount were based on the value in use of these right-of-use assets and other property, plant and equipment, determined using a discount rate of 13% (six months ended 30 September 2019: 16%).
- (c) During the six months ended 30 September 2020, the Group acquired items of other property, plant and equipment with a cost of \$65,193,000 (six months ended 30 September 2019: \$72,174,000). Items of other property, plant and equipment with a net book value of \$7,296,000 were disposed of during the six months ended 30 September 2020 (six months ended 30 September 2019: \$2,485,000).
- (d) At 30 September 2020, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$1,071,000 (31 March 2020: \$1,122,000).



11 Right-of-use assets

During the six months ended 30 September 2020, the Group entered into a number of lease agreements for use of retail stores and signages, and therefore recognised the additions to the right-of-use assets of \$86,053,000 (six months ended 30 September 2019: \$360,813,000). The carrying amount of the right-of-use assets was written down by \$29,259,000 (six months ended 30 September 2019: \$729,000) during the period. The leases of retail stores contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates.

Details of impairment losses on right-of-use assets are disclosed in note 10(b).

12 Other financial assets

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Non-current financial assets		
Debt securities at amortised cost – Unlisted but quoted	11,600	15,821
Current financial assets		
Debt securities at amortised cost – Unlisted but quoted	7,797	3,141
	19,397	18,962

The non-current debt securities as at 30 September 2020 represented medium term notes issued by a financial institution in Hong Kong, denominated in Renminbi, bear interest at a rate of 4.5% per annum with maturity date of 20 November 2021.

The non-current debt securities as at 31 March 2020 represented medium term notes (a) issued by a financial institution in Luxembourg, denominated in United States dollars, bore interest at a rate of 2.3% per annum with maturity date of 12 July 2021; and (b) issued by a financial institution in Hong Kong, denominated in Renminbi, bore interest at a rate of 4.5% per annum with maturity date of 20 November 2021.

12 Other financial assets *(continued)*

The current debt securities as at 30 September 2020 represented medium term notes (a) issued by a financial institution in Mainland China, denominated in United States dollars, bear interest at a rate of 2.8% per annum with maturity date of 20 October 2020; (b) issued by a financial institution in Luxembourg, denominated in United States dollars, bear interest at a rate of 2.3% per annum with maturity date of 12 July 2021.

The current debt securities as at 31 March 2020 represented medium term notes issued by a financial institution in Mainland China, denominated in United States dollars, bore interest at a rate of 2.8% per annum with maturity date of 20 October 2020.

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 30 September 2020 and 31 March 2020.

13 Inventories

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

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Food and beverages	41,320	44,604
Consumables, packaging materials and other sundry items	5,147	6,224
	46,467	50,828

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

	Six months ended 30 September 2020 \$'000	2019 \$'000
Carrying amount of inventories sold	316,145	360,637
Write-down of inventories	135	249
	316,280	360,886



14 Trade and other receivables

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Trade debtors, net of loss allowance	5,598	4,261
Other debtors	17,891	13,367
Rental and utility deposits paid	45,584	50,085
Prepayments	22,791	16,468
Receivables in relation to government grants	30,598	6,000
	122,462	90,181

All debtors, deposits and prepayments of the Group, apart from certain utility deposits totalling \$6,191,000 (31 March 2020: \$7,013,000), are expected to be recovered or recognised as expenses within one year.

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follow:

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
1 to 30 days	5,482	3,482
31 to 90 days	59	528
91 to 180 days	57	251
	5,598	4,261

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 and cash equivalents

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Deposits with banks	364,709	442,358
Cash at bank and in hand	187,312	68,689
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Cash and cash equivalents in the condensed consolidated cash flow statement	552,021	511,047
Bank deposits over three months	10,000	–
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	562,021	511,047
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16 Trade and other payables

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Creditors and accrued expenses	353,507	386,957
Contract liabilities	12,479	9,354
Other payables and deferred income	22,526	20,992
Rental deposits received	548	1,142
<hr/>		
	389,060	418,445
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Included in trade and other payables are trade creditors, based on the invoice date, with the following ageing analysis:

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
1 to 30 days	96,717	105,028
31 to 90 days	4,765	2,828
91 to 180 days	621	576
181 to 365 days	113	293
Over one year	162	189
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	102,378	108,914
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17 Equity-settled share-based transactions

On 6 July 2020, the Board of the Company resolved the followings:

- (a) To cancel 1,040,000 share options (the "Outstanding Share Options") which were granted to certain employees and director of the Company ("Director") (collectively called the "Existing Holders"), subject to the respective consent of the Existing Holders. The Outstanding Share Options were the outstanding balance of 1,100,000 share options previously granted to the Existing Holders to subscribe for a total of 1,100,000 ordinary shares of the Company (the "Share") at the exercise price of \$30.14 per Share; and
- (b) To grant 1,040,000 share options for \$1 consideration per holder to the Existing Holders to subscribe for a total of 1,040,000 Shares, which were served as replacement of the cancelled Outstanding Share Options. Each option gives the holder the right to subscribe for one Share. These share options will be exercisable in five tranches with validity period commencing from 1 April 2021 and ending on 31 March 2027. The exercise price of these new share options is \$17.90 per Share, being the closing price of the Share on the date of grant.

On 10 August 2020, 2,320,000 share options were granted for \$1 consideration per holder to certain employees and Directors under the Company's share option scheme. Each option gives the holder the right to subscribe for one Share. These share options will be exercisable in five tranches with validity period commencing from 1 April 2021 and ending on 31 March 2027. The exercise price of these new share options is \$17.08 per Share, being the closing price of the Shares on the date of grant.

No share options were granted during the six months ended 30 September 2019.

During the six months ended 30 September 2019, share options were exercised to subscribe for 883,000 Shares at a consideration of \$18,268,000, of which \$883,000 was credited to share capital and the balance of \$17,385,000 was credited to the share premium account. \$1,340,000 has been transferred from the capital reserve to the share premium account upon the exercise of the respective share options during the period.

No share options were exercised during the six months ended 30 September 2020.

18 Provisions

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Provision for long service payments	26,056	24,992
Provision for reinstatement costs for rented premises	66,072	68,103
	92,128	93,095
Less: Amount included under "current liabilities"	(18,556)	(17,356)
	73,572	75,739

19 Capital commitments

Capital commitments outstanding at 30 September 2020 not provided for in the Group's interim financial report were as follows:

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Contracted for	3,612	7,568
Authorised but not contracted for	7,756	11,967
	11,368	19,535

20 Contingent liabilities

At 30 September 2020, 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 \$94,432,000 (31 March 2020: \$101,511,000).



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 30 September 2020 and 31 March 2020.

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 2020:

- (a) Remuneration for key management personnel of the Group for the six months ended 30 September 2020 is as follows:

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Salaries and other short-term employee benefits	7,866	11,315
Contribution to defined contribution retirement plans	36	45
	7,902	11,360

- (b) During the period, a subsidiary of the Company leased a property from New Champion International Limited ("New Champion"). New Champion is a company beneficially owned by Mr Dennis Lo Hoi Yeung, Mr Lo Fai Shing Francis and his family members. In addition, Mr Dennis Lo Hoi Yeung is a director of New Champion. Depreciation of the right-of-use assets and interest expense on lease liabilities incurred during the six months ended 30 September 2020 amounted to \$1,226,000 and \$131,000 respectively (six months ended 30 September 2019: \$1,238,000 and \$169,000 respectively).

At 30 September 2020, the Group recognised right-of-use assets and lease liabilities of \$8,627,000 and \$8,869,000 respectively (31 March 2020: \$9,906,000 and \$10,022,000 respectively).

22 Material related party transactions *(continued)*

- (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. Depreciation of the right-of-use assets and interest expense on lease liabilities incurred during the six months ended 30 September 2020 amounted to \$1,439,000 and \$150,000 respectively (six months ended 30 September 2019: \$1,462,000 and \$196,000 respectively).

At 30 September 2020, the Group recognised right-of-use assets and lease liabilities of \$8,431,000 and \$10,174,000 respectively (31 March 2020: \$11,314,000 and \$11,541,000 respectively).

23 Impact of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group’s operating environment and has impacted the Group’s operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group’s business and has put in place contingency measures.



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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 3 to 28 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2020 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 2020 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 2020



Management Discussion and Analysis

Overall performance

The Group's revenue for the period ended 30 September 2020 decreased by 16.4% to HK\$1,287.0 million (2019: HK\$1,539.0 million). Gross profit margin increased to 13.3% (2019: 11.3%), mainly due to reduction of revenue and Employment Support Scheme ("ESS") from HKSAR Government. Profit attributable to equity shareholders increased by 13.4% to HK\$65.0 million (2019: HK\$57.3 million) compared to the same period last year. Basic earnings per share were HK50.14 cents compared to HK44.28 cents for the last corresponding period.

Business Review

Resilience and reassurance through the Fairwood culture

Without a doubt, COVID-19 was the overriding concern in Hong Kong during the period under review. The Government's efforts to control the virus had a particularly notable impact on the restaurant industry. At different times in the period, restaurants were subject to mandatory social distancing and seating restrictions, reduced dining hours and other constraints. The Government's ESS subsidies helped to offset some of these effects, but inevitably they affected Fairwood's bottom line.

On the positive side, the Fairwood corporate culture gave our Group a distinct competitive advantage in riding the storm. That culture is one of unremitting customer and community care, of deep support for our personnel, and of resilience and flexibility in our approach to every problem. All these provided us with a significant head-start in managing our response to the pandemic.

In Hong Kong, the Fairwood brand is closely associated with total customer care and going the extra mile. In the face of COVID-19, we left our customers in no doubt about how seriously we were taking the health and safety issues associated with the pandemic. Informative posters were widely displayed explaining how we were caring for patrons, keeping the dining environment clean and germ-free, and managing staff safety and wellbeing. All our restaurant visitors saw these measures in highly visible practice — including frequent and thorough cleansing routines, universal use of masks, temperature checks for patrons, and much more. As a result, our customers felt reassured about the safety and care available at Fairwood Restaurants, helping us to maintain good levels of patronage.

This high responsiveness to the pandemic could only be achieved with full buy-in and commitment from our staff members. Fortunately, Fairwood has always been a company that values its people, shown in the ongoing training, workplace care, and valuable reward schemes and incentives that we provide. This has helped shape a passionate workforce that is willing to go the extra mile, something that was especially visible at a time when many of our staff were called upon to support Fairwood in new ways and to implement unfamiliar changes. When the pandemic struck, staff on the front line did their utmost to support the company fully in its response efforts, for instance by handing out papers bags for customers' masks while dining, sensitively reminding customers to put their masks back on after meals, delivering hot water to tables to clean utensils, helping customers conform to social distancing regulations — all delivered with a “smile behind the mask”. Behind the scenes, staff worked hard to expand Fairwood's existing 'click-and-collect' platform to create genuine contactless takeaway transactions. In these and many other ways, Fairwood's caring staff culture was crucial in minimising disruptions to our high standards of service and helping to put customers at their ease.

A third aspect of Fairwood culture that came to the fore in the period was our tradition of flexibility and rapid responsiveness. More than ever before, COVID-19 demanded all our ingenuity to manage unfamiliar situations and find solutions to unexpected problems. This was a challenge, but it was an opportunity too — a time when we were able to identify new economies, create new products, and adapt to new realities. One of our first moves was to add more items to our menu suitable for takeaway, and to create more value dinner bundles. This kind of response is far more complex than it sounds, as it involves rapidly sourcing new ingredients and supplies and changing production schedules at short notice. Overall it proved highly successful. In fact, the menu changes in combination with the enhanced 'click-and-collect' platform mentioned above led to an increase in takeaway business revenue up to approximately 40% of the overall revenue across the period.

Through all this, though, we have not stopped looking towards the future and finding new ways to implement our vision and values. We have always recognised the importance that our customers place on social responsibility, and have continued to develop these facets of our company culture despite the challenges of the period. For example, we have taken steps to help Hong Kong's youth by launching a range of special student discounts and other benefits especially for young people. We have also continued supporting our elderly, further extending the distribution of our “Care for Seniors” cards that bring all sorts of added dining benefits for senior citizens.



Part of our social commitment is to our workforce. We really do wish to be a role model for the industry when it comes to how we treat and support our staff members. Despite the pandemic, we continued to offer them enhanced training opportunities, including enriched orientation training and succession training, to help each one feel an integral and highly valued part of the Fairwood organisation. In addition, our effective appreciation and recognition programme has been instrumental in motivating and inspiring our staff members. We also showed our commitment to our staff in very concrete terms by making no lay-offs in our Fairwood family during this tough period.

Hong Kong

The third wave of COVID-19 created an unstable business environment that dampened consumer sentiment in the period and had an inevitable impact on the performance of our Fairwood Restaurants in Hong Kong. However, the Group used its traditional agility and flexibility to respond quickly to the changing situation, and to capitalise on opportunities arising. For example, we remained highly flexible in our ingredients-sourcing operations, adapting our menus to match the changing availability of ingredients. At the same time, we stepped up our cost management activities, negotiating with landlords for better rental deals, reducing advertising expenses, increasing logistical cost efficiencies, shortening operating hours in some cases, and more generally finding ways to improve the efficiency and productivity of our workers.

Our range of specialty restaurants was also impacted by COVID-19, but to a lesser extent than the Fairwood Restaurants. These restaurant brands benefited from the popularity of online delivery platforms, as many residents managed the pandemic by eating at home more often. As a result, our key specialty brands ASAP and Taiwan Bowl, and our other brands The Leaf Kitchen, Buddies Café and Kenting Tea House, were all able to minimise the downturn in business during the height of the pandemic, despite periods of Government restrictions on dining. The solid performance of these brands has been encouraging, and we will be looking for other appropriate sites to expand to in the future. Our short-term target is to open more stores in the coming year.

Mainland China

The Group's Mainland China revenue was likewise affected by the COVID-19 pandemic, especially at stores near Hong Kong border control points. In the period, we restructured our Mainland China operations by replacing what had previously been a Hong Kong management team with local management talents. Having local managers who understand our Mainland China customers well has led to better and more agile decision-making, in turn delivering significant enhancements in our business operations and in the pace of expansion. One new store was opened in the period, and we plan to open a further four in the second half of the year. At the same time, cost management measures have been introduced including rental negotiations with landlords and more efficient capital investment in renovations. Our Mainland China operations have been working closely and successfully with the popular food service provider Meituan to make food delivery an important part of the Fairwood profile. This will continue to be a focus as we expand, by opening relatively smaller stores (compared with sizes in Hong Kong) that are nevertheless strong in fulfilling delivery needs for their local area.

Network

In the period under review, the Group opened four new stores, made up of three in Hong Kong and one in Mainland China. As of 30 September 2020, the Group had a total of 157 stores in Hong Kong, including 145 fast food stores and 12 specialty restaurants — three ASAP, three Taiwan Bowl, four The Leaf Kitchen, one Buddies Café and one Kenting Tea House. In Mainland China, the Group was operating 13 stores as at 30 September 2020.

Prospects

Although restaurant dining in Hong Kong is now once again operating without significant restrictions, the pandemic remains not yet fully under control and the future is uncertain. Fairwood will therefore look to strengthen the culture of unremitting customers and community care. That means continuing to place our customers at the centre of all our decisions, and ensuring that our staff are united in their commitment to Fairwood's vision and mission.



We will maintain a high level of alertness and flexibility at management level, ready to respond effectively to any changes and developments. Meanwhile, we will be looking to further expand our customer base, for example by placing a greater focus on younger consumers who represent a potential large future market. Looking ahead, we will also continue the process we have begun of upgrading our technology and systems as we fully embrace digitisation, in a process that will improve our efficiency and align us more closely with new digital consumer preferences.

The Fairwood mission is “Enjoy Great Food. Live a Great Life!” Even a serious public health threat does not change these goals. We have continued to find ways to help our customers enjoy great food, and our staff to enjoy making and serving it, while ensuring the health and safety of our team and our customers. We have continued to believe that even in tough times, a great life is still possible with the right mindset, the right support and the right spirit. These values will drive Fairwood forward with resilience and strength, as Hong Kong gradually resumes its upward path.

Financial Review

Liquidity and financial resources

As at 30 September 2020, total assets of the Group amounted to HK\$2,568.4 million (31 March 2020: HK\$2,708.9 million). The Group’s net current liabilities was HK\$148.5 million (31 March 2020: net current liabilities of HK\$247.0 million), represented by total current assets of HK\$766.1 million (31 March 2020: HK\$668.6 million) against total current liabilities of HK\$914.6 million (31 March 2020: HK\$915.6 million) and the current ratio, being the proportion of total current assets against total current liabilities, was 0.8 (31 March 2020: 0.7). Total equity was HK\$724.0 million (31 March 2020: HK\$720.8 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2020, the Group had bank deposits and cash and cash equivalents amounting to HK\$562.0 million (31 March 2020: HK\$511.0 million), representing an increase of 10.0%. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2020, the Group had no bank loan (31 March 2020: nil). The gearing ratio of the Group was 0.0% (31 March 2020: 0.0%), which was calculated based on the total bank loan over total equity. The unutilised banking facilities were HK\$264.5 million (31 March 2020: HK\$247.4 million).

Profitability

Annualised return on average equity was 18.0% (year ended 31 March 2020: 8.1%), 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 other financial assets and bank deposits and cash and cash equivalents 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 Hong Kong dollar is pegged to United States 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\$1.1 million (31 March 2020: HK\$1.1 million).

Commitments

As at 30 September 2020, the Group's outstanding capital commitments was HK\$11.4 million (31 March 2020: HK\$19.5 million).



Contingent liabilities

As at 30 September 2020, guarantees are given to banks by the Company in respect of mortgage loans and other banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the outstanding utilised facilities by all the subsidiaries that are covered by the guarantees, being HK\$94.4 million (31 March 2020: HK\$101.5 million).

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

Employee information

As at 30 September 2020, the total number of employees of the Group was approximately 5,700 (31 March 2020: 5,800). 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 executive's interests and short positions in Shares, underlying Shares and debentures

As at 30 September 2020, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Interests in the Company

	Ordinary Shares of HK\$1 each				Number of underlying Shares pursuant to Share Options	Total	Percentage of total issued Shares
	Personal interests	Family interests	Corporate interests	Other interests			
Dennis Lo Hoi Yeung	109,000	–	–	55,435,384 (Note 1)	–	55,544,384	42.88%
Lo Fai Shing Francis	–	–	–	55,435,384 (Note 1)	1,080,000	56,515,384	43.63%
Mak Yee Mei	1,180,000	–	–	–	520,000	1,700,000	1.31%
Peggy Lee	402,000	–	–	–	393,000	795,000	0.61%
Chan Chee Shing (resigned on 1 October 2020)	409,500	–	–	–	–	409,500	0.32%

Note 1: These Shares were held by Neblett Investments Limited ("Neblett") and CFJ Holdings Limited ("CFJ"). These companies are beneficially owned by two separate trusts of which Mr Dennis Lo Hoi Yeung and Mr Lo Fai Shing Francis are the discretionary objects. Both Mr Dennis Lo Hoi Yeung and Mr Lo Fai Shing Francis, by virtue of their interests in the trusts as the discretionary objects and as the Executive Chairman and Executive Director & Chief Executive Officer of the Company respectively, were deemed interested in the Shares held by Neblett and CFJ.



(b) *Interests in Fairwood Fast Food Limited*

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

Note 2: These shares were held by Pengto International Limited, 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 2020, none of the Directors or chief executive 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 executive’s 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 2020, the Directors and employees of the Company had the following interests in options to subscribe for Shares pursuant to the share option scheme of the Company:

	Date granted	Exercisable period	Number of options outstanding at 1 April 2020	Number of options granted during the period	Number of options lapsed during the period	Number of options cancelled during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2020	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\$
Lo Fai Shing Francis (Director)	(a) 20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	40,000	-	-	-	-	40,000	20.70	20.80	-
	(b) 20 April 2018	1 April 2019 to 31 March 2025 (Note 3)	40,000	-	-	(40,000)	-	-	30.14	30.25	-
	(c) 6 July 2020	1 April 2021 to 31 March 2027 (Note 5)	-	40,000	-	-	-	40,000	17.90	17.84	-
	(d) 10 August 2020	1 April 2021 to 31 March 2027 (Note 6)	-	1,000,000	-	-	-	1,000,000	17.08	17.12	-
Mak Yee Mei (Director)	(a) 20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	220,000	-	-	-	-	220,000	20.70	20.80	-
	(b) 10 August 2020	1 April 2021 to 31 March 2027 (Note 6)	-	300,000	-	-	-	300,000	17.08	17.12	-
Peggy Lee (Director)	(a) 20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	60,000	-	-	-	-	60,000	20.70	20.80	-
	(b) 2 October 2015	1 October 2016 to 30 September 2022 (Note 2)	33,000	-	-	-	-	33,000	22.20	21.90	-
	(c) 10 August 2020	1 April 2021 to 31 March 2027 (Note 6)	-	300,000	-	-	-	300,000	17.08	17.12	-
Chan Chee Shing (Director, resigned on 1 October 2020)	20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	600,000	-	(600,000)	-	-	-	20.70	20.80	-



	Date granted	Exercisable period	Number of options outstanding at 1 April 2020	Number of options granted during the period	Number of options lapsed during the period	Number of options cancelled during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2020	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\$
Employees	20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	1,395,500	-	(80,000)	-	-	1,315,500	20.70	20.80	-
Employees	20 April 2018	1 April 2019 to 31 March 2025 (Note 3)	1,010,000	-	(10,000)	(1,000,000)	-	-	30.14	30.25	-
Employee	18 December 2018	1 October 2019 to 30 September 2025 (Note 4)	30,000	-	-	-	-	30,000	26.42	26.35	-
Employees	6 July 2020	1 April 2021 to 31 March 2027 (Note 5)	-	1,000,000	(40,000)	-	-	960,000	17.90	17.84	-
Employees	10 August 2020	1 April 2021 to 31 March 2027 (Note 6)	-	720,000	-	-	-	720,000	17.08	17.12	-

Note 1: 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 2: 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;

Note 3: 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;

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

Note 5: These options shall vest in five tranches as follows: 10% on 1 April 2021, 15% on 1 April 2022, 20% on 1 April 2023, 25% on 1 April 2024 and the remaining 30% on 1 April 2025; and

Note 6: These options shall vest in five tranches as follows: 10% on 1 April 2021, 15% on 1 April 2022, 20% on 1 April 2023, 25% on 1 April 2024 and the remaining 30% on 1 April 2025.

Apart from the foregoing, at no time during the six months ended 30 September 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive 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 2020, the interests or short positions of every person, other than the Directors and chief executive 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	37.65%
(ii) CFJ	6,660,000	5.14%
(iii) Winning Spirit International Corp. (“WSIC”) (<i>Note 1</i>)	48,775,384	37.65%
(iv) HSBC International Trustee Limited (“HITL”) (<i>Note 2</i>)	55,456,384	42.81%

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 21,000 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 (as founder and discretionary object) and Mr Lo Fai Shing Francis (as 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 were recorded in the register required to be kept pursuant to Section 336 of the SFO as at 30 September 2020.



Dividend

The Board declared an interim dividend of HK30.0 cents (2019: HK23.0 cents) per Share for the six months ended 30 September 2020 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 16 December 2020. The declared dividend represented a distribution of approximately 60% (2019: 52%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Thursday, 31 December 2020.

Closure of register of members

The Register of Members of the Company will be closed from Monday, 14 December 2020 to Wednesday, 16 December 2020 (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 4:30 p.m. on Friday, 11 December 2020 for registration.

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

During the six months ended 30 September 2020, 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 2020, 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 and reports to the Board. The audit committee has reviewed with the management and the Company's external auditor the unaudited financial information and interim results for the six months ended 30 September 2020.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Following specific enquiry by the Company, all Directors confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 September 2020.

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

Pursuant to Listing Rule 13.51B(1), the change in information of our Directors since the date of 2019/2020 Annual Report of the Company is Mr CHAN Chee Shing has resigned as a Non-executive Director with effect from 1 October 2020.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 27 November 2020