

2021-2022  
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  
Peter Wan Kam To

### AUDIT COMMITTEE

Peter Wan Kam To (*Chairman*)  
Ng Chi Keung  
Joseph Chan Kai Nin

### 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.  
OCBC Wing Hang Bank Limited  
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  
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](http://www.fairwoodholdings.com.hk)

### STOCK CODE

52



## Interim Results

The Board of Directors (the “Board”) of Fairwood Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2021 together with the comparative figures for the six months ended 30 September 2020. 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 2021 – unaudited (Expressed in Hong Kong dollars)

		<b>Six months ended 30 September</b>	
	<i>Note</i>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Revenue</b>	4	<b>1,498,604</b>	1,286,985
Cost of sales		<b>(1,341,322)</b>	(1,115,704)
<b>Gross profit</b>		<b>157,282</b>	171,281
Other revenue	5	<b>5,661</b>	23,464
Other net gain/(loss)	5	<b>6,001</b>	(710)
Selling expenses		<b>(15,722)</b>	(14,534)
Administrative expenses		<b>(63,822)</b>	(54,809)
Valuation losses on investment properties	10(a)	<b>(1,110)</b>	(3,500)
Impairment losses on other property, plant and equipment	10(b)	<b>(2,401)</b>	(18,260)
Impairment losses on right-of-use assets	11	<b>(3,939)</b>	(29,259)
<b>Profit from operations</b>		<b>81,950</b>	73,673
Finance costs	6(a)	<b>(16,044)</b>	(19,295)
<b>Profit before taxation</b>	6	<b>65,906</b>	54,378
Income tax (expense)/credit	7	<b>(13,413)</b>	10,573
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>52,493</b>	64,951
<b>Earnings per share</b>			
Basic	9(a)	<b>40.52 cents</b>	50.14 cents
Diluted	9(b)	<b>40.52 cents</b>	50.14 cents

The notes on pages 11 to 26 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 2021 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2021	2020
	\$'000	\$'000
<b>Profit for the period attributable to equity shareholders of the Company</b>	<b>52,493</b>	64,951
<b>Other comprehensive income for the period (after tax):</b>		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	<b>202</b>	2,283
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b>52,695</b>	67,234

The notes on pages 11 to 26 form part of this interim financial report.



# Consolidated Statement of Financial Position

At 30 September 2021 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2021 \$'000	At 31 March 2021 \$'000
<b>Non-current assets</b>			
Investment properties	10	28,720	29,830
Other property, plant and equipment	10	408,073	424,866
Right-of-use assets	11	1,014,308	1,110,609
		<b>1,451,101</b>	1,565,305
Lease receivables		1,696	2,768
Goodwill		1,001	1,001
Rental deposits paid		70,765	72,737
Deferred tax assets		35	3,935
		<b>1,524,598</b>	1,645,746
<b>Current assets</b>			
Inventories	13	49,587	46,008
Trade and other receivables	14	109,244	99,764
Other financial assets	12	12,202	16,745
Current tax recoverable		7,794	17,633
Bank deposits and cash and cash equivalents	15	723,432	622,143
		<b>902,259</b>	802,293
<b>Current liabilities</b>			
Trade and other payables	16	397,082	359,778
Lease liabilities		409,824	433,320
Dividend payable		77,732	–
Current tax payable		121	20
Provisions	18	19,849	18,784
		<b>904,608</b>	811,902

## Consolidated Statement of Financial Position

At 30 September 2021 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
	Note	
<b>Net current liabilities</b>	<b>(2,349)</b>	(9,609)
<b>Total assets less current liabilities</b>	<b>1,522,249</b>	1,636,137
<b>Non-current liabilities</b>		
Lease liabilities	698,783	785,222
Deferred tax liabilities	1,348	1,795
Rental deposits received	1,755	1,768
Provisions	18 66,170	69,516
	<b>768,056</b>	858,301
<b>NET ASSETS</b>	<b>754,193</b>	777,836
<b>Capital and reserves</b>		
Share capital	129,553	129,533
Reserves	624,640	648,303
<b>TOTAL EQUITY</b>	<b>754,193</b>	777,836

The notes on pages 11 to 26 form part of this interim financial report.



## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total \$'000
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	
<b>At 1 April 2020 (audited)</b>		129,533	54,832	6,687	(900)	527	530,127	720,806
<b>Changes in equity for the six months ended 30 September 2020:</b>								
Profit for the period		-	-	-	-	-	64,951	64,951
Other comprehensive income for the period		-	-	-	2,283	-	-	2,283
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
		-	-	(498)	2,283	-	1,439	3,224
<b>At 30 September 2020 (unaudited)</b>		129,533	54,832	6,189	1,383	527	531,566	724,030

## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021 – 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
<b>At 1 October 2020 (unaudited)</b>	129,533	54,832	6,189	1,383	527	531,566	724,030
<hr style="border-top: 1px dashed black;"/>							
<b>Changes in equity for the six months ended 31 March 2021:</b>							
Profit for the period	-	-	-	-	-	88,666	88,666
Other comprehensive income for the period	-	-	-	2,454	-	-	2,454
<hr/>							
Total comprehensive income for the period	-	-	-	2,454	-	88,666	91,120
Dividends declared in respect of the current year	8(a)	-	-	-	-	(38,860)	(38,860)
Lapse and cancellation of share options	-	-	(42)	-	-	42	-
Equity-settled share-based transactions	-	-	1,546	-	-	-	1,546
<hr/>							
	-	-	1,504	2,454	-	49,848	53,806
<hr style="border-top: 1px dashed black;"/>							
<b>At 31 March 2021 (audited)</b>	129,533	54,832	7,693	3,837	527	581,414	777,836



## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total \$'000
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	
<b>At 1 April 2021 (audited)</b>		129,533	54,832	7,693	3,837	527	581,414	777,836
<b>Changes in equity for the six months ended 30 September 2021:</b>								
Profit for the period		-	-	-	-	-	52,493	52,493
Other comprehensive income for the period		-	-	-	202	-	-	202
Total comprehensive income for the period		-	-	-	202	-	52,493	52,695
Share issued under share option scheme	17	20	322	-	-	-	-	342
Issue expenses		-	(5)	-	-	-	-	(5)
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(77,732)	(77,732)
Lapse and cancellation of share options		-	-	(198)	-	-	198	-
Equity-settled share-based transactions	6, 17	-	34	1,023	-	-	-	1,057
		20	351	825	202	-	(25,041)	(23,643)
<b>At 30 September 2021 (unaudited)</b>		129,553	55,183	8,518	4,039	527	556,373	754,193

The notes on pages 11 to 26 form part of this interim financial report.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2021 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2021 \$'000	2020 \$'000
<b>Operating activities</b>			
Cash generated from operations		<b>358,109</b>	353,007
Net tax paid		<b>(20)</b>	(10,060)
<b>Net cash generated from operating activities</b>		<b>358,089</b>	342,947
<b>Investing activities</b>			
Payment for purchase of other property, plant and equipment		<b>(31,321)</b>	(63,826)
Increase in bank deposits with more than three months to maturity		<b>(23,617)</b>	(10,000)
Proceeds from maturity of other financial assets		<b>4,661</b>	–
Net proceeds from disposal of other property, plant and equipment		<b>38</b>	294
Other cash flows arising from investing activities		<b>1,134</b>	506
<b>Net cash used in investing activities</b>		<b>(49,105)</b>	(73,026)
<b>Financing activities</b>			
Capital element of lease rentals paid		<b>(215,800)</b>	(209,926)
Interest element of lease rentals paid		<b>(16,044)</b>	(19,295)
Proceeds from shares issued under share options scheme	17	<b>342</b>	–
Other cash flows arising from financing activities		<b>(5)</b>	–
<b>Net cash used in financing activities</b>		<b>(231,507)</b>	(229,221)
<b>Net increase in cash and cash equivalents</b>		<b>77,477</b>	40,700
<b>Cash and cash equivalents at 1 April</b>		<b>615,632</b>	511,047
<b>Effect of foreign exchange rate changes</b>		<b>195</b>	274
<b>Cash and cash equivalents at 30 September</b>	15	<b>693,304</b>	552,021

The notes on pages 11 to 26 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 30 November 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

As at 30 September 2021, the Group’s total current assets were \$902,259,000 (31 March 2021: \$802,293,000) and total current liabilities were \$904,608,000 (31 March 2021: \$811,902,000).

Despite the net current liabilities as at 30 September 2021, the Group’s bank deposits and cash and cash equivalents amounted to \$723,432,000 (31 March 2021: \$622,143,000) on the same day and the Group reported a profit before tax of \$65,906,000 (2020: \$54,378,000) and recorded net cash generated from operating activities of \$358,089,000 (2020: \$342,947,000) during the six months ended 30 September 2021. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 September 2021, 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 2021. Accordingly, the interim financial report has 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 2021 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 27 and 28. 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 2021 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 2021 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 29 June 2021.

## 2 Changes in accounting policies

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

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

## 3 Segment reporting

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

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

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



### 3 Segment reporting (continued)

#### (a) Segment results

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

#### For the six months ended 30 September

	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	1,427,194	1,235,507	70,013	48,452	1,397	3,026	1,498,604	1,286,985
Inter-segment revenue	-	-	-	-	1,883	1,260	1,883	1,260
<b>Reportable segment revenue</b>	<b>1,427,194</b>	<b>1,235,507</b>	<b>70,013</b>	<b>48,452</b>	<b>3,280</b>	<b>4,286</b>	<b>1,500,487</b>	<b>1,288,245</b>
<b>Reportable segment profit/(loss)</b>	<b>78,653</b>	<b>114,383</b>	<b>(7,083)</b>	<b>(12,229)</b>	<b>1,786</b>	<b>3,243</b>	<b>73,356</b>	<b>105,397</b>

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

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

	Six months ended 30 September	
	2021 \$'000	2020 \$'000
<b>Profit</b>		
Reportable segment profit before taxation	73,356	105,397
Valuation losses on investment properties	(1,110)	(3,500)
Impairment losses on other property, plant and equipment	(2,401)	(18,260)
Impairment losses on right-of-use assets	(3,939)	(29,259)
Consolidated profit before taxation	65,906	54,378

#### 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:

	<b>Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Sale of food and beverages at a point of time	<b>1,497,207</b>	1,283,959
Property rental	<b>1,397</b>	3,026
	<b>1,498,604</b>	1,286,985

#### 5 Other revenue and net gain/(loss)

	<b>Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Other revenue</b>		
Interest income	<b>1,777</b>	2,578
Government grants ( <i>Note</i> )	<b>3,884</b>	20,886
	<b>5,661</b>	23,464

#### **Other net gain/(loss)**

Electric and gas range incentives	<b>2,840</b>	2,476
Profit on sale of redemption gifts	<b>427</b>	436
Net foreign exchange gain	<b>611</b>	784
Net loss on disposal of other property, plant and equipment	<b>(2,264)</b>	(7,002)
Others	<b>4,387</b>	2,596
	<b>6,001</b>	(710)

*Note:* This mainly represented subsidies approved by the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region 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	
	2021	2020
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest expense on lease liabilities	<b>16,044</b>	19,295
(b) <i>Other items</i>		
Cost of inventories ( <i>Note (i)</i> )	<b>374,447</b>	316,280
Depreciation		
– other property, plant and equipment	<b>47,402</b>	51,607
– right-of-use assets	<b>201,364</b>	230,231
Staff costs ( <i>Note (ii)</i> )	<b>500,462</b>	325,050
Equity-settled share-based payment expenses	<b>1,057</b>	757

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

*Note (ii)*: The amount during the six months ended 30 September 2020 was net of employment support scheme subsidies from HKSAR Government of \$122,031,000 (six months ended 30 September 2021: \$nil).

**7 Income tax expense/(credit)**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	<b>9,994</b>	37
Over-provision in respect of prior years	<b>(34)</b>	(1,699)
	<b>9,960</b>	(1,662)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>3,453</b>	(8,911)
	<b>13,413</b>	(10,573)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 September 2021, 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 2020.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2021 and 2020, 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*

	<b>Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Interim dividend declared and payable after the interim period of 25.0 cents (2020: 30.0 cents) per share	<b>32,388</b>	38,860

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

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

	<b>Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Final dividend in respect of the previous financial year ended 31 March 2021, approved and payable during the following interim period, of 60.0 cents (year ended 31 March 2020: 50.0 cents) per share	<b>77,732</b>	64,767

In respect of the dividend for the year ended 31 March 2021, there is a difference of \$12,000 (year ended 31 March 2020: \$nil) between the final dividend disclosed in the 2021 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 2021 is based on the profit attributable to ordinary equity shareholders of the Company of \$52,493,000 (2020: \$64,951,000) and the weighted average number of ordinary shares of 129,547,000 shares (2020: 129,533,000 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 2021 is based on the profit attributable to ordinary equity shareholders of the Company of \$52,493,000 (2020: \$64,951,000) and the weighted average number of ordinary shares of 129,547,000 shares (2020: 129,533,000 shares), calculated as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>129,547</b>	129,533
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	-	-
<hr/>		
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>129,547</b>	129,533
<hr/> <hr/>		



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

- (a) All investment properties of the Group were revalued as at 30 September 2021 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2021 valuations. As a result, losses of \$1,110,000 (six months ended 30 September 2020: losses of \$3,500,000) have been charged to the consolidated statement of profit or loss.
- (b) During the six months ended 30 September 2021, 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 \$3,939,000 (six months ended 30 September 2020: \$29,259,000) and \$2,401,000 (six months ended 30 September 2020: \$18,260,000) respectively during the period. The aggregate recoverable amounts of four of these restaurants amounted to \$330,000 (six months ended 30 September 2020: thirty two of these restaurants amounted to \$37,480,000) based on their value in use net of relevant lease liabilities. 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 2020: the recoverable amount of the remaining impaired right-of-use assets and other property, plant and equipment were 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 pre-tax discount rate of 15% (six months ended 30 September 2020: 13%).
- (c) During the six months ended 30 September 2021, the Group acquired items of other property, plant and equipment with a cost of \$34,967,000 (six months ended 30 September 2020: \$65,193,000). Items of other property, plant and equipment with a net book value of \$2,302,000 were disposed of during the six months ended 30 September 2021 (six months ended 30 September 2020: \$7,296,000).
- (d) At 30 September 2021, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$971,000 (31 March 2021: \$1,021,000).

## 11 Right-of-use assets

During the six months ended 30 September 2021, 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 \$27,152,000 (six months ended 30 September 2020: \$86,053,000). The carrying amount of the right-of-use assets was written down by \$3,939,000 (six months ended 30 September 2020: \$29,259,000) 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

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Debt securities at amortised cost		
– Unlisted but quoted	<b>12,202</b>	16,745

The current debt security as at 30 September 2021 represented medium term note issued by a financial institution in Hong Kong, denominated in Renminbi, bears interest at a rate of 4.5% per annum with maturity date of 20 November 2021.

The current debt securities as at 31 March 2021 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.

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 2021 and 31 March 2021.

## 13 Inventories

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

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Food and beverages	<b>44,325</b>	40,156
Consumables, packaging materials and other sundry items	<b>5,262</b>	5,852
	<b>49,587</b>	46,008



### 13 Inventories (continued)

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

	Six months ended 30 September	
	2021	2020
	\$'000	\$'000
Carrying amount of inventories sold	374,390	316,145
Write-down of inventories	57	135
	<b>374,447</b>	<b>316,280</b>

### 14 Trade and other receivables

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Trade debtors, net of loss allowance	9,669	6,064
Other debtors	17,062	22,111
Rental and utility deposits paid	54,153	50,770
Lease receivables	2,239	2,239
Prepayments	26,121	18,580
	<b>109,244</b>	<b>99,764</b>

All debtors, deposits and prepayments of the Group, apart from certain utility deposits totalling \$6,392,000 (31 March 2021: \$6,112,000), are expected to be recovered or recognised as expenses within one year.

**14 Trade and other receivables** *(continued)*

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:

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
1 to 30 days	<b>9,261</b>	4,693
31 to 90 days	<b>388</b>	1,254
91 to 180 days	<b>20</b>	56
181 to 365 days	<b>–</b>	61
	<b>9,669</b>	6,064

The Group's sales to customers are mainly on a cash and e-payment 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**

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Deposits with banks	<b>421,944</b>	375,641
Cash at bank and in hand	<b>271,360</b>	239,991
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>693,304</b>	615,632
Bank deposits over three months	<b>30,128</b>	6,511
	<b>723,432</b>	622,143



## 16 Trade and other payables

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Creditors and accrued expenses	<b>364,984</b>	326,634
Contract liabilities	<b>7,074</b>	10,587
Other payables and deferred income	<b>24,806</b>	22,353
Rental deposits received	<b>218</b>	204
	<b>397,082</b>	359,778

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

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
1 to 30 days	<b>121,507</b>	106,975
31 to 90 days	<b>10,164</b>	68
91 to 180 days	<b>226</b>	528
181 to 365 days	<b>130</b>	62
Over one year	<b>184</b>	196
	<b>132,211</b>	107,829

## 17 Equity-settled share-based transactions

During the six months ended 30 September 2021, share options were exercised to subscribe for 20,000 ordinary shares of the Company (the "Share") at a consideration of \$342,000, of which \$20,000 was credited to share capital and the balance of \$322,000 was credited to the share premium account. \$34,000 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 granted during the six months ended 30 September 2021.

## 17 Equity-settled share-based transactions *(continued)*

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 Shares 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 Share on the date of grant.

## 18 Provisions

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Provision for long service payments	<b>20,209</b>	22,073
Provision for reinstatement costs for rented premises	<b>65,810</b>	66,227
	<b>86,019</b>	88,300
Less: Amount included under “current liabilities”	<b>(19,849)</b>	(18,784)
	<b>66,170</b>	69,516



## 19 Capital commitments

Capital commitments outstanding at 30 September 2021 not provided for in the Group's interim financial report were as follows:

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Contracted for	<b>4,606</b>	3,752
Authorised but not contracted for	<b>4,540</b>	4,189
	<b>9,146</b>	7,941

## 20 Contingent liabilities

At 30 September 2021, 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 \$83,591,000 (31 March 2021: \$89,153,000).

## 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 2021 and 31 March 2021.

## 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 2021:

- (a) *Remuneration for key management personnel of the Group for the six months ended 30 September 2021 is as follows:*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Salaries and other short-term employee benefits	<b>9,287</b>	7,866
Contribution to defined contribution retirement plans	<b>27</b>	36
	<b>9,314</b>	7,902

- (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 member. 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 2021 amounted to \$1,073,000 and \$177,000 respectively (six months ended 30 September 2020: \$1,226,000 and \$131,000 respectively).

At 30 September 2021, the Group recognised right-of-use assets and lease liabilities of \$11,866,000 and \$12,169,000 respectively (31 March 2021: \$12,939,000 and \$13,187,000 respectively).

- (c) During the period, a subsidiary of the Company leased a property from Hibony Limited ("Hibony"). Hibony is a company beneficially owned by Pengto International Limited (a company beneficially owned by Mr Dennis Lo Hoi Yeung). 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 2021 amounted to \$936,000 and \$173,000 respectively (six months ended 30 September 2020: \$1,439,000 and \$150,000 respectively).

At 30 September 2021, the Group recognised right-of-use assets and lease liabilities of \$10,199,000 and \$11,883,000 respectively (31 March 2021: \$11,135,000 and \$12,909,000 respectively).



## **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 26 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2021 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 2021 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

30 November 2021



# Management Discussion and Analysis

## Overall performance

The Group's revenue for the period ended 30 September 2021 increased by 16.4% to HK\$1,498.6 million (2020: HK\$1,287.0 million). Gross profit margin decreased to 10.5% (2020: 13.3%). Profit attributable to equity shareholders decreased by 19.2% to HK\$52.5 million (2020: HK\$65.0 million). Excluding the government grants of HK\$3.9 million (2020: HK\$20.9 million), employment support scheme of HK\$nil (2020: HK\$122.0 million) and the impairment losses on other property, plant and equipment and right-of-use assets of HK\$6.3 million (2020: HK\$47.6 million), profit for the period was HK\$54.9 million, compared to a loss of HK\$30.3 million for the same period last year. Basic earnings per share were HK40.52 cents compared to HK50.14 cents for the corresponding period in 2020.

## Business review

### *Significant recovery and steady growth*

During the period under review, Fairwood responded successfully to the pandemic and delivered positive growth despite the challenges of a post-COVID environment. Total sales and customer volumes both rose considerably by comparison with the previous period, taking Fairwood back to pre-pandemic levels and reversing the drop in sales recorded last year. Although the HK\$142.9 million in Government pandemic support received last year fell in the current period to just HK\$3.9 million, Fairwood still managed to deliver a satisfactory bottom-line profit.

To lift Fairwood's performance to pre-pandemic levels, we placed special emphasis on the first part of our Fairwood slogan, 'Enjoy Great Food', by expanding and improving our menu selections to match customer demand and attract new customers. Despite tough operational challenges, we added several local 'street food' items to our tea menus that proved immediately popular. We also launched a series of popular dishes based on Asian dining favourites for diners unable to travel to their favourite culinary destinations. Our signature Ah Wood series was revamped to add extra flavour and value, reinforcing our commitment to delivering truly 'great food'. To expand our appeal to young people, we revamped our in-store meals for school students and added a range of student discounts and free gifts themed around annual school events. In September, we launched a very popular new Value Campaign offering high quality meal sets at excellent prices.

The Group acquires a bakery line this year, and now produces most of its bakery products in-house. The result has been very positive, with many customers commenting on the noticeable improvements in flavour, aroma and texture in Fairwood’s bread products. The bakery has enabled us to expand the range of sandwich and toast products on the menu, and created new strategic product opportunities benefiting customers and shareholders.

Fairwood’s “Click-and-Collect” service, first introduced in August 2020, went from strength to strength over the year. The percentage of takeaway sales is now significant, and continued to increase over the period under review. Sales were further boosted by a revamp of the “Click-and-Collect” platform, making it easier for customers to order online. Alongside this, we launched a loyalty programme for “Click-and-Collect” customers that attracted over 100,000 members in just a month of operation. Over the period, we researched customers’ takeaway habits and preferences and adjusted our takeaway menus accordingly, leading to smooth and steady sales growth. Our “Click-and-Collect” service also works in conjunction with food delivery service provider foodpanda, which has significantly expanded its scope to cover almost all districts in Hong Kong in April.

The Group continued with its digitalisation efforts in the period, aimed at enhancing efficiency, improving customer experience, and raising staff service levels. We have begun to roll out new digital menu display boards in stores to replace old manually operated ones, creating a more stylish look and making it easier to update menu options and prices. Online training programmes have been introduced for frontline cashiers, helping them deal more confidently with new in-store situations and COVID-19 related queries. A new Kitchen Management System has also been introduced that is helping streamline the food preparation workflow, improve efficiency, and shorten customer queues.

In embracing the digital era, Fairwood has also begun to leverage the power of social media. During the period we trialled our first social media campaign to reach younger customers, with great success. The innovative campaign offered a free Ah Wood meal to anyone bringing in a competitor’s receipt for the same dish. The campaign quickly went viral, generating 650,000 views and 100,000 interactions within a short two-week period, and bringing many new customers in store for the first time. Social media is also being utilised for the Group’s specialty restaurants to help define and shape their brand appeal. For example, the new Instagram account for Taiwan Bowl adopts a fun visual style that has generated a lot of interactions and strong brand engagement.



Attracting and retaining staff, especially high quality chefs and kitchen staff, has been a challenge for our industry in recent years. Fairwood has addressed this problem by ensuring its salaries are highly competitive, that there are attractive incentive measures in place to retain staff, and that the Fairwood workplace environment is a warm, friendly place to work in. In addition, we have defined clear staff career tracks, and are continuing to provide staff with multiple opportunities for training and development, especially by increasing our online training programmes to give staff greater learning flexibility.

### *Hong Kong*

In Hong Kong, Fairwood's focus for the period was on stabilisation and recovery, with the measures described above. One new Fairwood store was opened in the period, in Shatin. Meanwhile, our specialty restaurants enjoyed a generally stable performance in the period, with Taiwan Bowl proving especially resilient and generating strong takeaway sales. One new Taiwan Bowl restaurant was opened in the period, in Lok Fu, and this new store introduced features that will be gradually expanded to the other outlets. They included enhanced menu options with a wider range of snacks, drink and desserts, and the enabling of mobile ordering from tables.

Our community service initiatives in Hong Kong were constrained by social distancing requirements, but we continued to promote our "Care for Senior Cards", for example offering double discounts when using the card on occasions such as Father's Day. The number of "Care for Senior Cards" members has continued to grow, reaching 280,000 in the period. As for the Fairwood Give Warmth Campaign, this will be extended from October when the Group will work with selected NGOs on donations of meal boxes to the elderly, as well as organising special meal gatherings at its restaurants for elderly people living on their own.

### *Mainland China*

In Mainland China, recovery at Fairwood stores was slower than in Hong Kong. The absence of cross-border travel led to lower customer flow at the Fairwood stores in Lo Wu and Shenzhen, while lockdowns in Guangzhou in June also disrupted sales on occasions. However, the restructuring of our Mainland China operations and the localisation of the management has now been completed, and prospects are promising. Only one new store was opened in Mainland China during the period, but a further of six to seven stores are scheduled for opening later in the year. A new POS system that has been adopted in Mainland China has allowed seamless integration with local online ordering and delivery platforms, and has enabled a new membership scheme to be launched.

## Network

In the period under review, the Group opened three new Fairwood stores, made up of two in Hong Kong and one in Mainland China. As of 30 September 2021, the Group had a total of 155 stores in Hong Kong, including 143 fast food stores and 12 specialty restaurants — three ASAP, four Taiwan Bowl, four The Leaf Kitchen and one Kenting Tea House. In Mainland China, the Group was operating 17 stores as at 30 September 2021.

## Prospects

Fairwood has a long history of dealing well with adversity, matched with a tradition of responsiveness and agility in managing changes in the market and society. These have served us well over the past year and a half in dealing with the unprecedented COVID-19 situation. In particular, we have embraced digital initiatives in our operations management and marketing, which have helped us to further enhance our flexibility, better manage pandemic restrictions, and at the same time win new markets and customers.

Rising food costs and staff shortages represent some of our biggest challenges going forward. To manage these challenges, we will continue our efforts to negotiate lower rentals while also enhancing efficiencies in other areas of our operations. Our increasing takeaway sales are also opening up options for better utilising our physical floor space, especially in our larger restaurants. We will remain committed to providing our staff with attractive compensations packages and incentives, a clear succession plan, and plenty of training and self-improvement opportunities. We believe our unique workplace staff culture and benefits are very important factors in helping us retain quality staff.

Network expansion in Hong Kong will continue in the months ahead; we have plans to open four or five new stores by early 2022. We will also be continuing to expand menu options by adding exciting new dishes in the months ahead. Following a very positive start to our digital transformation initiatives, we will be increasing our use of digital channels for marketing, as well as using new digital workflow products to help us further enhance our efficiency across the board. There are also changes afoot in our store design that will enhance our customers' in-store dining experience.



From Q4 2021, our specialty restaurant brands will be undergoing a restructuring to give each brand greater definition and appeal. This will be accompanied by the launch of new tailored brand strategies to drive growth of the different brands. In Mainland China, potential for growth in the Greater Bay Area is strong, and the Group is in a good position for further expansion following its recent localisation initiatives there, utilising innovative marketing approaches.

Having ridden out the worst of the pandemic storm, Fairwood is further consolidating its position as one of Hong Kong's premier fast food restaurant chains. Our swift recovery and agile responsiveness to change mean we are ready to expand once more, utilising modern technology to grow new target markets and enhance our efficiencies. At the same time, we will continue to hold fast to our traditional strengths of excellent food quality and value, warm professional service and community care, all encapsulated in our motto 'Enjoy Great Food. Live a Great Life'.

## **Financial review**

### *Liquidity and financial resources*

As at 30 September 2021, total assets of the Group amounted to HK\$2,426.9 million (31 March 2021: HK\$2,448.0 million). The Group's net current liabilities were HK\$2.3 million (31 March 2021: net current liabilities of HK\$9.6 million), represented by total current assets of HK\$902.3 million (31 March 2021: HK\$802.3 million) against total current liabilities of HK\$904.6 million (31 March 2021: HK\$811.9 million) and the current ratio, being the proportion of total current assets against total current liabilities, was 1.0 (31 March 2021: 1.0). Total equity was HK\$754.2 million (31 March 2021: HK\$777.8 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2021, the Group had bank deposits and cash and cash equivalents amounting to HK\$723.4 million (31 March 2021: HK\$622.1 million), representing an increase of 16.3%. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2021, the Group had no bank loan (31 March 2021: nil). The gearing ratio of the Group was 0.0% (31 March 2021: 0.0%), which was calculated based on the total bank loan over total equity. The unutilised banking facilities were HK\$275.3 million (31 March 2021: HK\$269.7 million).

### *Profitability*

Annualised return on average equity was 13.7% (year ended 31 March 2021: 20.5%), being profit for the period attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

### *Financial risk management*

The Group is exposed to foreign currency risk primarily through 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\$1.0 million (31 March 2021: HK\$1.0 million).

### *Commitments*

As at 30 September 2021, the Group's outstanding capital commitments was HK\$9.1 million (31 March 2021: HK\$7.9 million).



### *Contingent liabilities*

As at 30 September 2021, 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\$83.6 million (31 March 2021: HK\$89.2 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 2021, the total number of employees of the Group was approximately 5,700 (31 March 2021: 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 executive's interests and short positions in Shares, underlying Shares and debentures

As at 30 September 2021, 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	42.87%
Lo Fai Shing Francis	-	-	-	55,435,384 (Note 1)	1,080,000	56,515,384	43.62%
Mak Yee Mei	1,180,000	-	-	-	520,000	1,700,000	1.31%
Peggy Lee	402,000	-	-	-	393,000	795,000	0.61%

*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*

	<b>Number of Non-voting deferred shares</b>				
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Other interests</b>	<b>Total</b>
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 schemes” below, as at 30 September 2021, 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 share option schemes of the Company are also set out in the section “Share option schemes” below.

## Share option schemes

On 6 September 2021, the current share option scheme of the Company which was adopted on 7 September 2011 has been expired (the "2011 Share Option Scheme"). A new share option scheme of the Company was approved by the shareholders of the Company and adopted on 9 September 2021 (the "2021 Share Option Scheme"). Upon expiration of the 2011 Share Option Scheme, no further options will be granted thereunder. However, the options which had been granted under the 2011 Share Option Scheme prior to such expiration will continue to be valid and exercisable in accordance with the rules of 2011 Share Option Scheme.

As at 30 September 2021,

- (a) there is no option has been granted under 2021 Share Option Scheme since it has been adopted; and
- (b) the Directors and employees of the Company had the following interests in options to subscribe for Shares pursuant to the 2011 Share Option Scheme.



	Date granted	Exercisable period	Number of options outstanding at 1 April 2021	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 2021	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) 6 July 2020	1 April 2021 to 31 March 2027 (Note 4)	40,000	-	-	-	-	40,000	17.90	17.84	-
	(c) 10 August 2020	1 April 2021 to 31 March 2027 (Note 4)	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 4)	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 4)	300,000	-	-	-	-	300,000	17.08	17.12	-
Employees	20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	1,303,500	-	(56,500)	-	-	1,247,000	20.70	20.80	-
Employee	18 December 2018	1 October 2019 to 30 September 2025 (Note 3)	30,000	-	-	-	-	30,000	26.42	26.35	-
Employees	6 July 2020	1 April 2021 to 31 March 2027 (Note 4)	940,000	-	(50,000)	-	-	890,000	17.90	17.84	-
Employees	10 August 2020	1 April 2021 to 31 March 2027 (Note 4)	720,000	-	-	-	(20,000)	700,000	17.08	17.12	-
Employee	30 December 2020	1 December 2021 to 30 November 2027 (Note 5)	300,000	-	-	-	-	300,000	17.76	17.70	-

*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 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 4:* 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 5:* These options shall vest in five tranches as follows: 10% on 1 December 2021, 15% on 1 December 2022, 20% on 1 December 2023, 25% on 1 December 2024 and the remaining 30% on 1 December 2025.

Apart from the foregoing, at no time during the six months ended 30 September 2021 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 2021, the interests or short positions of every person, other than the Directors and chief executive of the Company, in the Shares and underlying Shares 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:–

	<b>Shares directly and/or indirectly held</b>	<b>Percentage of total issued shares</b>
(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> )	55,438,384	42.79%

*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 3,000 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 2021.

## **Dividend**

The Board declared an interim dividend of HK25.0 cents (2020: HK30.0 cents) per Share for the six months ended 30 September 2021 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 17 December 2021. The declared dividend represented a distribution of approximately 62% (2020: 60%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 31 December 2021.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from Wednesday, 15 December 2021 to Friday, 17 December 2021 (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 Tuesday, 14 December 2021 for registration.

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

During the six months ended 30 September 2021, 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 2021, 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 three Independent Non-executive Directors of the Company and reports to the Board. The audit committee has reviewed with the management and the Company's external auditor the unaudited financial information and interim results for the six months ended 30 September 2021.

### **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 2021.

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

Pursuant to Listing Rule 13.51B(1), the Company discloses the following changes in information of our Directors since the date of 2020/2021 Annual Report of the Company:

- (a) Mr Peter Wan Kam To, an Independent Non-executive Director of the Company, has resigned as an Independent Non-executive Director of Target Insurance (Holdings) Limited (which is listed on the main board of Stock Exchange) on 9 August 2021; and
- (b) Mr Tony Tsoi Tong Hoo has retired by rotation as an Independent Non-executive Director of the Company at the conclusion of the annual general meeting of the Company held on 9 September 2021 and ceased to be a member of the audit committee of the Company.

By order of the Board  
**Fairwood Holdings Limited**  
**Dennis Lo Hoi Yeung**  
*Executive Chairman*

Hong Kong, 30 November 2021