

大快活  
Fairwood



**FAIRWOOD HOLDINGS LIMITED**

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

**2023·2024**  
**INTERIM REPORT**





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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Dennis Lo Hoi Yeung (*Executive Chairman*)  
Lo Fai Shing Francis (*Chief Executive Officer*)  
Peggy Lee

#### Independent Non-executive Directors

Joseph Chan Kai Nin  
Peter Lau Kwok Kuen  
Peter Wan Kam To  
Yip Cheuk Tak

### AUDIT COMMITTEE

Peter Wan Kam To (*Chairman*)  
Joseph Chan Kai Nin  
Peter Lau Kwok Kuen

### REMUNERATION COMMITTEE

Joseph Chan Kai Nin (*Chairman*)  
Peter Lau Kwok Kuen  
Yip Cheuk Tak

### NOMINATION COMMITTEE

Dennis Lo Hoi Yeung (*Chairman*)  
Peter Wan Kam To  
Yip Cheuk Tak

### COMPANY SECRETARY

Chan Kang Tung

### AUDITOR

KPMG  
*Public Interest Entity Auditor  
registered in accordance with the  
Accounting and Financial Reporting  
Council Ordinance*

### SOLICITORS

Mayer Brown

### 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  
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  
United Overseas Bank Limited

### 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 2023 together with the comparative figures for the six months ended 30 September 2022. 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 2023 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2023 \$'000	2022 \$'000
<b>Revenue</b>	4	<b>1,558,003</b>	1,494,720
Cost of sales		<b>(1,411,495)</b>	(1,357,504)
<b>Gross profit</b>		<b>146,508</b>	137,216
Other revenue and other net gain	5	<b>18,284</b>	21,684
Selling expenses		<b>(18,934)</b>	(16,583)
Administrative expenses		<b>(74,376)</b>	(58,993)
Valuation losses on investment properties	10(a)	<b>(1,030)</b>	(3,830)
Impairment losses on other property, plant and equipment	10(b)	<b>(4,679)</b>	(6,660)
Impairment losses on right-of-use assets	11	<b>(6,312)</b>	(9,292)
<b>Profit from operations</b>		<b>59,461</b>	63,542
Finance costs	6(a)	<b>(16,052)</b>	(16,204)
<b>Profit before taxation</b>	6	<b>43,409</b>	47,338
Income tax expense	7	<b>(7,092)</b>	(4,512)
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>36,317</b>	42,826
<b>Earnings per share</b>			
Basic	9(a)	<b>28.03 cents</b>	33.06 cents
Diluted	9(b)	<b>28.03 cents</b>	33.06 cents

The notes on pages 11 to 25 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 September 2023 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2023	2022
	\$'000	\$'000
<b>Profit for the period attributable to equity shareholders of the Company</b>	<b>36,317</b>	42,826
<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>(990)</b>	(5,691)
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b>35,327</b>	37,135

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



## Consolidated Statement of Financial Position

at 30 September 2023 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2023 \$'000	At 31 March 2023 \$'000
<b>Non-current assets</b>			
Investment properties	10	22,230	23,260
Other property, plant and equipment	10	372,053	379,399
Right-of-use assets	11	1,016,725	1,033,885
		<b>1,411,008</b>	1,436,544
Lease receivables		11,803	–
Goodwill		1,001	1,001
Rental deposits paid		64,204	68,483
Deferred tax assets		4,905	4,070
		<b>1,492,921</b>	1,510,098
<b>Current assets</b>			
Inventories	12	52,798	55,624
Trade and other receivables	13	107,337	90,033
Current tax recoverable		64	32
Bank deposits and cash and cash equivalents	14	686,626	646,758
		<b>846,825</b>	792,447
<b>Current liabilities</b>			
Trade and other payables	15	415,594	400,536
Lease liabilities		402,737	393,575
Dividend payable		58,298	–
Current tax payable		6,251	406
Provisions	17	23,578	20,804
Long service payment obligation	18	2,604	1,903
		<b>909,062</b>	817,224

## Consolidated Statement of Financial Position

at 30 September 2023 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2023 Note	At 31 March 2023 \$'000	At 31 March 2023 \$'000
<b>Net current liabilities</b>	<b>(62,237)</b>		<b>(24,777)</b>
<b>Total assets less current liabilities</b>	<b>1,430,684</b>		<b>1,485,321</b>
<b>Non-current liabilities</b>			
Lease liabilities	704,364		732,878
Deferred tax liabilities	119		76
Rental deposits received	686		14
Provisions	17	45,503	47,450
Long service payment obligation	18	21,676	24,274
		<b>772,348</b>	<b>804,692</b>
<b>NET ASSETS</b>		<b>658,336</b>	<b>680,629</b>
<b>Capital and reserves</b>			
Share capital		129,553	129,553
Reserves		528,783	551,076
<b>TOTAL EQUITY</b>		<b>658,336</b>	<b>680,629</b>

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



## Consolidated Statement of Changes in Equity for the six months ended 30 September 2023 – 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 2022 (audited)</b>		129,553	55,183	8,495	5,743	527	514,735	714,236
<b>Changes in equity for the six months ended 30 September 2022:</b>								
Profit for the period		-	-	-	-	-	42,826	42,826
Other comprehensive income for the period		-	-	-	(5,691)	-	-	(5,691)
Total comprehensive income for the period		-	-	-	(5,691)	-	42,826	37,135
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(51,821)	(51,821)
Lapse of share options		-	-	(3,045)	-	-	3,045	-
Equity-settled share-based transactions	6, 16	-	-	380	-	-	-	380
		-	-	(2,665)	(5,691)	-	(5,950)	(14,306)
<b>At 30 September 2022 (unaudited)</b>		129,553	55,183	5,830	52	527	508,785	699,930

**Consolidated Statement of Changes in Equity**  
**for the six months ended 30 September 2023 – unaudited** *(continued)*  
*(Expressed in Hong Kong dollars)*

Attributable to equity shareholders of the Company

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	Total \$'000
<i>Note</i>							
<b>At 1 October 2022 (unaudited)</b>	129,553	55,183	5,830	52	527	508,785	699,930
<hr style="border-top: 1px dashed black;"/>							
<b>Changes in equity for the six months ended 31 March 2023:</b>							
Profit for the period	-	-	-	-	-	2,054	2,054
Other comprehensive income for the period	-	-	-	1,585	-	-	1,585
<hr/>							
Total comprehensive income for the period	-	-	-	1,585	-	2,054	3,639
<hr style="border-top: 1px dashed black;"/>							
Dividends declared in respect of the current year	8(a)	-	-	-	-	(23,320)	(23,320)
Lapse of share options	-	-	(52)	-	-	52	-
Equity-settled share-based transactions	6, 16	-	380	-	-	-	380
<hr/>							
	-	-	328	1,585	-	(21,214)	(19,301)
<hr style="border-top: 1px dashed black;"/>							
<b>At 31 March 2023 (audited)</b>	129,553	55,183	6,158	1,637	527	487,571	680,629



## Consolidated Statement of Changes in Equity

for the six months ended 30 September 2023 – 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 2023 (audited)</b>		129,553	55,183	6,158	1,637	527	487,571	680,629
<b>Changes in equity for the six months ended 30 September 2023:</b>								
Profit for the period		-	-	-	-	-	36,317	36,317
Other comprehensive income for the period		-	-	-	(990)	-	-	(990)
Total comprehensive income for the period		-	-	-	(990)	-	36,317	35,327
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(58,298)	(58,298)
Lapse and cancellation of share options		-	-	(220)	-	-	220	-
Equity-settled share-based transactions	6, 16	-	-	678	-	-	-	678
		-	-	458	(990)	-	(21,761)	(22,293)
<b>At 30 September 2023 (unaudited)</b>		129,553	55,183	6,616	647	527	465,810	658,336

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

## Condensed Consolidated Cash Flow Statement

for the six months ended 30 September 2023 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2023 \$'000	2022 \$'000
<b>Operating activities</b>			
Cash generated from operations		<b>313,793</b>	397,253
Net tax (paid)/refunded		<b>(2,071)</b>	17,618
<b>Net cash generated from operating activities</b>		<b>311,722</b>	414,871
<b>Investing activities</b>			
Payment for purchase of other property, plant and equipment		<b>(47,048)</b>	(48,326)
Increase in bank deposits with more than three months to maturity		<b>(143,476)</b>	(30,759)
Net proceeds from disposal of other property, plant and equipment		<b>722</b>	2
Other cash flows arising from investing activities		<b>1,201</b>	1,134
<b>Net cash used in investing activities</b>		<b>(188,601)</b>	(77,949)
<b>Financing activities</b>			
Capital element of lease rentals paid		<b>(210,090)</b>	(209,395)
Interest element of lease rentals paid		<b>(16,052)</b>	(16,204)
<b>Net cash used in financing activities</b>		<b>(226,142)</b>	(225,599)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(103,021)</b>	111,323
<b>Cash and cash equivalents at 1 April</b>		<b>586,758</b>	557,102
<b>Effect of foreign exchange rate changes</b>		<b>(587)</b>	(1,225)
<b>Cash and cash equivalents at 30 September</b>	14	<b>483,150</b>	667,200

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



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

## 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“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 29 November 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

As at 30 September 2023, the Group’s total current assets were \$846,825,000 (31 March 2023: \$792,447,000) and total current liabilities were \$909,062,000 (31 March 2023: \$817,224,000). Despite the net current liabilities as at 30 September 2023, the Group’s bank deposits and cash and cash equivalents amounted to \$686,626,000 (31 March 2023: \$646,758,000) on the same day and the Group reported a profit before tax of \$43,409,000 (2022: \$47,338,000) and recorded net cash generated from operating activities of \$311,722,000 (2022: \$414,871,000) during the six months ended 30 September 2023. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 September 2023, the directors of the Company (the “Director(s)”) 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 2023. 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 2023 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 26 and 27. In addition, this interim financial report has been reviewed by the Company's audit committee.

The financial information relating to the financial year ended 31 March 2023 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 2023 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 2023.

## 2 Changes in accounting policies

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments are relevant to the Group. 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 presented 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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue from external customers	1,460,769	1,417,757	94,812	76,349	2,422	614	1,558,003	1,494,720
Inter-segment revenue	-	-	-	-	892	1,400	892	1,400
<b>Reportable segment revenue</b>	<b>1,460,769</b>	<b>1,417,757</b>	<b>94,812</b>	<b>76,349</b>	<b>3,314</b>	<b>2,014</b>	<b>1,558,895</b>	<b>1,496,120</b>
<b>Reportable segment profit/(loss)</b>	<b>50,515</b>	<b>68,663</b>	<b>477</b>	<b>(4,326)</b>	<b>4,438</b>	<b>2,783</b>	<b>55,430</b>	<b>67,120</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	
	2023 \$'000	2022 \$'000
<b>Profit</b>		
Reportable segment profit before taxation	55,430	67,120
Valuation losses on investment properties	(1,030)	(3,830)
Impairment losses on other property, plant and equipment	(4,679)	(6,660)
Impairment losses on right-of-use assets	(6,312)	(9,292)
<b>Consolidated profit before taxation</b>	<b>43,409</b>	<b>47,338</b>

#### 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>2023</b>	2022
	<b>\$'000</b>	\$'000
Sale of food and beverages at a point in time	<b>1,555,581</b>	1,494,106
Property rental	<b>2,422</b>	614
	<b>1,558,003</b>	1,494,720

#### 5 Other revenue and other net gain

	<b>Six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Other revenue</b>		
Interest income	<b>13,516</b>	3,533
Government grants (Note)	<b>1,029</b>	16,752
	<b>14,545</b>	20,285
<b>Other net gain</b>		
Gain on lease modifications	<b>4,810</b>	786
Electric and gas range incentives	<b>2,455</b>	2,751
Profit on sale of redemption gifts	<b>314</b>	337
Net foreign exchange loss	<b>(1,211)</b>	(2,581)
Net loss on disposal of other property, plant and equipment	<b>(4,786)</b>	(1,212)
Others	<b>2,157</b>	1,318
	<b>3,739</b>	1,399
	<b>18,284</b>	21,684

Note: The amount during the six months ended 30 September 2022 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	
	2023	2022
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest expense on lease liabilities	<b>16,052</b>	16,204
(b) <i>Other items</i>		
Cost of inventories ( <i>Note (i)</i> )	<b>384,488</b>	396,309
Depreciation		
– other property, plant and equipment	<b>46,534</b>	45,286
– right-of-use assets	<b>197,452</b>	196,524
Auditor's remuneration	<b>2,040</b>	2,260
Expenses related to short-term leases	<b>10,041</b>	5,498
Variable lease payments not included in the measurement of lease liabilities	<b>3,185</b>	3,067
Building management fee	<b>26,449</b>	24,570
Electricity, water and gas	<b>92,269</b>	87,572
Logistics expenses	<b>35,575</b>	33,347
Repair and maintenance	<b>22,710</b>	22,564
Sanitation	<b>24,416</b>	25,565
Cost of subsequent replacement of cutlery and utensils	<b>5,441</b>	4,845
Staff costs ( <i>Note (ii)</i> )	<b>540,343</b>	480,734
Equity-settled share-based payment expenses	<b>678</b>	380
Other expenses	<b>94,250</b>	87,976
	<b>1,485,871</b>	1,416,497
Representing:		
Cost of sales	<b>1,411,495</b>	1,357,504
Administrative expenses	<b>74,376</b>	58,993
	<b>1,485,871</b>	1,416,497

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

*Note (ii)* : The amount during the six months ended 30 September 2022 was net of employment support scheme subsidies from HKSAR of \$24,000,000.

**7 Income tax expense**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	<b>7,884</b>	4,707
Over-provision in respect of prior years	–	(59)
	<b>7,884</b>	4,648
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(792)</b>	(136)
	<b>7,092</b>	4,512

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the six months ended 30 September 2023, 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 2022.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2023 and 2022, 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>2023</b>	2022
	<b>\$'000</b>	\$'000
Interim dividend declared and payable after the interim period of 11.0 cents (2022: 18.0 cents) per share	<b>14,251</b>	23,320

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>2023</b>	2022
	<b>\$'000</b>	\$'000
Final dividend in respect of the previous financial year ended 31 March 2023, approved and payable during the following interim period, of 40.0 cents (year ended 31 March 2022: 40.0 cents) per share	<b>51,821</b>	51,821
Special final dividend in respect of the previous financial year ended 31 March 2023, approved and payable during the following interim period, of 5.0 cents (year ended 31 March 2022: Nil) per share	<b>6,477</b>	–
	<b>58,298</b>	51,821

## 9 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 September 2023 is based on the profit attributable to ordinary equity shareholders of the Company of \$36,317,000 (2022: \$42,826,000) and the weighted average number of ordinary shares of 129,553,000 shares (2022: 129,553,000 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 2023 is based on the profit attributable to ordinary equity shareholders of the Company of \$36,317,000 (2022: \$42,826,000) and the weighted average number of ordinary shares of 129,553,000 shares (2022: 129,553,000 shares) in issue during the period.

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

(a) All investment properties of the Group were revalued as at 30 September 2023 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2023 valuations. As a result, losses of \$1,030,000 (six months ended 30 September 2022: losses of \$3,830,000) have been charged to the consolidated statement of profit or loss.

(b) During the six months ended 30 September 2023, 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 \$6,312,000 (six months ended 30 September 2022: \$9,292,000) and \$4,679,000 (six months ended 30 September 2022: \$6,660,000) respectively during the period. The aggregate recoverable amounts of ten of these restaurants amounted to \$681,000 (six months ended 30 September 2022: seventeen of these restaurants amounted to \$3,448,000) 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 2022: 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 2022: 15%).

(c) During the six months ended 30 September 2023, the Group acquired items of other property, plant and equipment with a cost of \$50,649,000 (six months ended 30 September 2022: \$61,746,000). Items of other property, plant and equipment with a net book value of \$5,508,000 were disposed of during the six months ended 30 September 2023 (six months ended 30 September 2022: \$1,215,000).

(d) At 30 September 2023, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$771,000 (31 March 2023: \$821,000).



## 11 Right-of-use assets

During the six months ended 30 September 2023, 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 \$82,990,000 (six months ended 30 September 2022: \$47,829,000). The carrying amount of the right-of-use assets was written down by \$6,312,000 (six months ended 30 September 2022: \$9,292,000) 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 Inventories

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

	<b>At 30 September 2023 \$'000</b>	At 31 March 2023 \$'000
Food and beverages	<b>46,228</b>	50,058
Consumables, packaging materials and other sundry items	<b>6,570</b>	5,566
	<b>52,798</b>	55,624

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

	<b>Six months ended 30 September 2023 \$'000</b>	2022 \$'000
Carrying amount of inventories sold	<b>384,405</b>	396,259
Write-down of inventories	<b>83</b>	50
	<b>384,488</b>	396,309

**13 Trade and other receivables**

	<b>At 30 September 2023 \$'000</b>	At 31 March 2023 \$'000
Trade debtors, net of loss allowance	<b>16,373</b>	9,663
Other receivables	<b>17,635</b>	17,906
Rental and utility deposits paid	<b>45,370</b>	43,901
Lease receivables	<b>2,526</b>	626
Prepayments	<b>25,433</b>	17,937
	<b>107,337</b>	90,033

All debtors, deposits and prepayments of the Group, apart from certain utility deposits totalling \$6,677,000 (31 March 2023: \$7,407,000), 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:

	<b>At 30 September 2023 \$'000</b>	At 31 March 2023 \$'000
1 to 30 days	<b>15,464</b>	8,737
31 to 90 days	<b>662</b>	790
91 to 180 days	<b>161</b>	85
181 to 365 days	<b>86</b>	51
	<b>16,373</b>	9,663

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.



#### 14 Bank deposits and cash and cash equivalents

	At 30 September 2023 \$'000	At 31 March 2023 \$'000
Deposits with banks	427,359	496,261
Restricted cash	272	3,248
Cash at bank and on hand	55,519	87,249
<hr/>		
Cash and cash equivalents in the condensed consolidated cash flow statement	483,150	586,758
Bank deposits with maturity over three months	203,476	60,000
<hr/>		
	686,626	646,758
<hr/> <hr/>		

#### 15 Trade and other payables

	At 30 September 2023 \$'000	At 31 March 2023 \$'000
Creditors and accrued expenses	394,512	376,664
Contract liabilities	6,604	5,675
Other payables and deferred income	13,116	16,239
Rental deposits received	1,362	1,958
<hr/>		
	415,594	400,536
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**15 Trade and other payables** *(continued)*

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

	<b>At 30 September 2023 \$'000</b>	At 31 March 2023 \$'000
1 to 30 days	<b>116,851</b>	125,045
31 to 90 days	<b>6,855</b>	83
91 to 180 days	<b>1,624</b>	491
181 to 365 days	<b>120</b>	40
Over one year	<b>305</b>	165
	<b>125,755</b>	125,824

**16 Equity-settled share-based transactions**

On 5 July 2023, the Board of the Company resolved the followings:

- (a) To cancel 2,630,000 share options (the "Outstanding Share Options") which were granted to certain employees and Directors (collectively called the "Existing Holders"), subject to the respective consent of the Existing Holders. The Outstanding Share Options were the outstanding balance of 30,000 share options, 600,000 share options and 2,000,000 share options previously granted to the Existing Holders to subscribe for a total of 2,630,000 ordinary shares of the Company (the "Share") at the exercise price of \$26.420 per Share, \$17.900 per Share and \$17.080 per Share respectively; and
- (b) To grant 3,750,000 share options for \$1 consideration per holder to the Existing Holders and other employees of the Group to subscribe for a total of 3,750,000 Shares, which partly 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 three tranches with exercisable period commencing from 5 July 2024 and ending on 4 July 2033. The exercise price of these new share options is \$11.456 per Share, being the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

No share options were granted during the six months ended 30 September 2022.



## 16 Equity-settled share-based transactions (continued)

No share options were exercised during the six months ended 30 September 2023 and 2022.

The options outstanding at 30 September 2023 had a weighted average exercise price of \$11.46 (31 March 2023: \$17.41) and a weighted average remaining contractual life of 9.77 years (31 March 2023: 4.06 years). The number of the shares that may be issued during the period represents 0.56% of the weighted average number of issued shares.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binomial Tree approach. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Tree approach.

### Options granted at 5 July 2023

Fair value of share options and assumptions

Fair value at measurement date	\$1.57
Closing share price at measurement date	\$11.30
Exercise price	\$11.456
Expected volatility	20.70%
Option life (expressed as weighted average life under binomial tree approach)	10.0 years
Expected dividend yield	4.9%
Risk-free interest rate (base on Hong Kong Government Bond Yield)	3.605%

## 17 Provisions

	At 30 September 2023 \$'000	At 31 March 2023 \$'000
Provision for reinstatement costs for rented premises	69,081	68,254
Less: Amount included under "current liabilities"	<b>(23,578)</b>	(20,804)
	<b>45,503</b>	47,450

## 18 Long service payment obligation

	<b>At 30 September 2023 \$'000</b>	At 31 March 2023 \$'000
Long service payment obligation	<b>24,280</b>	26,177
Less: Amount included under "current liabilities"	<b>(2,604)</b>	(1,903)
	<b>21,676</b>	24,274

## 19 Capital commitments

Capital commitments outstanding at 30 September 2023 not provided for in the Group's interim financial report were as follows:

	<b>At 30 September 2023 \$'000</b>	At 31 March 2023 \$'000
Contracted for	<b>13,121</b>	351
Authorised but not contracted for	<b>43,440</b>	9,899
	<b>56,561</b>	10,250

## 20 Contingent liabilities

At 30 September 2023, guarantees were given to banks by the Company in respect of 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 \$85,336,000 (31 March 2023: \$88,939,000).

## 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 2023 and 31 March 2023.



## 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 2023:

- (a) *Remuneration for key management personnel of the Group for the six months ended 30 September 2023 is as follows:*

	Six months ended 30 September	
	2023	2022
	\$'000	\$'000
Salaries and other short-term employee benefits	7,783	7,637
Contribution to defined contribution retirement plans	18	24
	<b>7,801</b>	7,661

- (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 2023 amounted to \$1,062,000 and \$119,000 respectively (six months ended 30 September 2022: \$1,062,000 and \$149,000 respectively).

At 30 September 2023, the Group recognised right-of-use assets and lease liabilities of \$7,488,000 and \$7,982,000 respectively (31 March 2023: \$8,550,000 and \$9,051,000 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 2023 amounted to \$927,000 and \$114,000 respectively (six months ended 30 September 2022: \$929,000 and \$144,000 respectively).

At 30 September 2023, the Group recognised right-of-use assets and lease liabilities of \$6,353,000 and \$7,629,000 respectively (31 March 2023: \$7,280,000 and \$8,715,000 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 1 to 25 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2023 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 2023 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

29 November 2023

## Management Discussion and Analysis

### Overall performance

The Group's revenue for the six months ended 30 September 2023 increased by 4.2% to HK\$1,558.0 million (2022: HK\$1,494.7 million). Gross profit margin increased to 9.4% (2022: 9.2%). Profit for the period before government subsidies surged from HK\$2.0 million to HK\$35.3 million. Government subsidies were HK\$1.0 million (2022: HK\$40.8 million). Profit for the period attributable to equity shareholders of the Company was HK\$36.3 million (2022: HK\$42.8 million). Basic earnings per share were HK28.03 cents compared to HK33.06 cents for the corresponding period in 2022.

### Business review

#### *Overview*

In a Hong Kong market that is still in recovery mode, especially in the retail and F&B sectors, the Group performed satisfactorily in the period under review. Throughout the period, it launched a number of successful initiatives designed to attract and retain new customers. Meanwhile, it continued to manage operating costs effectively and moved forward with a raft of cost-efficient digitalisation initiatives. All these helped Fairwood deliver a steady performance in a muted market.

As always, the Group continued to roll out product innovations to improve the customer experience and attract new diners. Its ongoing "limited time offer" ("LTO") strategy in this period saw the introduction of three new menu sets – Japanese Pork Cutlet, Moroccan baked Rice, and the Southeast Asia series – which proved very popular and were successful in driving incremental visits to its restaurants. These LTOs can be bundled with other menu options at extra cost, encouraging diners to upgrade and expand their dining experience. Various attractive new products were also developed and launched to encourage dinner dining at Fairwood. Meanwhile, the Group continued to offer a good range of value-for-money special dishes for budget-conscious diners, accompanied by competitive meal deals.



A special focus in the period involved targeting specialised customer segments with high potential for growth. For instance, a special “Gym lovers” chicken breast meal package was introduced targeted at gym users and those with high interest in personal health. Promotion was focused on the health and fitness benefits of the meal, which also included a keto option. This innovation was highly successful, driven by effective yet low-cost online advertising and the recommendations of prominent KOLs. The Group saw a doubling of sales of the “Gym lovers” dish, and a greater awareness of Fairwood among this target demographic.

In a similar vein, the Group introduced the “croffle”, a new croissant/waffle mix that can be enjoyed as a savoury or sweet dish as part of a tea set package, aimed at café lovers looking for an experience comparable with that of a medium range specialty café. This was a new direction for the Group, and generated strong interest among its target audience, attracting excellent social media coverage and a good response. These two segmentation initiatives show how the Group is working successfully to target new and younger customer groups for Fairwood.

Digitalisation initiatives continued to be rolled out in the period, as the Group looks to make the Fairwood experience ever simpler and more convenient. Membership numbers for the Group’s online app grew further, rising above 660,000. The app was used heavily both to drive member acquisition and to engage and retain existing members, through initiatives such as a lucky draw and a recruitment programme alongside LTO discounts, free gifts and free product trials. Fairwood won two HKRMA Smart Retailing Awards for its app in the period, in recognition of its quality and design. Elsewhere, the Group continues its internal digital enhancement initiatives by updating the Kitchen Management System, extending its Mobile Order & Payment (“MO&P”) options, and continuing to roll out Digital Menu Boards in its restaurants.

The Group’s well-established cost management strategies, coupled with a fall in market food costs, saw its food costs fall quite significantly in the period. Strategies such as expanding its range of vendors, global sourcing, adopting some direct imports, reducing food packaging, and optimising its menus and SKUs, all proved effective in keeping tight control over food costs. Labour costs have remained a challenge, but in this area the Group’s digitalisation and automation initiatives are making a difference. For instance, increased use of Fairwood’s MO&P is reducing the need for checkout operators, while other digitalisation efficiencies are lowering the skills base required in frontline staff. Meanwhile, rents have stabilised, and the Group once again finds itself in a position to negotiate for improved rental deals.

The Group stepped up its sustainability efforts in the period, launching an innovative new programme to encourage the reuse of what would otherwise be discarded as food waste. Fairwood stores encouraged customers to take home and reuse lemon rinds and used coffee grounds, both of which are effective in removing household kitchen odours. Not only did this initiative result in a reduction for the Group of around 93 tonnes of food waste in the period, it also generated 118 free pieces of media coverage with an estimated value of over HK\$4.7 million. The Group also continued with its campaign to reduce single-use plastic cutlery, resulting in over 500,000 fewer single-use plastic cutlery packs being used in the period, which translated into donations of more than 20,000 meals to the needy. Meanwhile, at the Central Kitchen complex, solar panels were installed on the roof to generate electricity and help reduce carbon emissions.

### *Hong Kong*

The Group was operating 144 Fairwood fast food restaurants in Hong Kong at period-end, while the number of its specialty stores in the city remained stable at 10 across the period. The Group's specialty restaurants are part of a market sector that has been affected by changing dining trends in Hong Kong since the pandemic. Dining out has reduced quite significantly in the city, and this is bringing challenges to restaurants whose focus is on evening dining. The Group is monitoring wider trends while meanwhile working hard to contain costs and keep its restaurants in the public eye.

The Group was pleased to see membership of its Care for Senior Card membership rise to over 440,000 in the period. Seniors over 60 years of age are able to use the card to access a wide range of special offers and deals to reduce their dining costs. The Group's longstanding Fairwood Care for Community programme was back in full swing too. Its "Heartwarming Food Donation" programme took place in nine stores on five occasions, providing donations of meal boxes and packs of daily necessities to deserving recipients. Another popular programme, the "Joyous Meal with Seniors", took place in eight stores on five occasions, bringing together elderly people who live alone for an instore meal and company with Fairwood volunteers.



## *Mainland China*

The Group's operations on the Mainland, which are focused specifically on cities in the Greater Bay Area ("GBA"), were carried out in the context of a flat economy and reduced spending across the board. Despite this less than promising macro environment, Fairwood stores in the GBA performed well in the period. Double digit same store sales growth ("SSSG") was achieved, while the Group also opened two new stores in promising areas. Profitability has continued to improve gradually as the management strategy is fine-tuned and Fairwood's reputation grows. The Group believes its GBA operations hold strong potential for future growth and profitability.

## **Network**

As at 30 September 2023, the Group was operating 144 Fairwood fast food restaurants at strategic locations across Hong Kong. It also operated a small stable of 10 specialty restaurants under the brand names ASAP, Taiwan Bowl and The Leaf Kitchen. In the PRC, the number of Fairwood fast food restaurants continued to grow, with 24 operating in selected GBA locations as at 30 September 2023, as against 22 six months earlier.

## **Prospects**

Hong Kong's F&B and retail markets are gradually improving as the economy gains momentum. With a rapid rebound unlikely, the Group is adopting a prudent approach as it looks for incremental improvements and enhancements to its operations, while working to expand its attractiveness to an even wider range of target groups. With business having been steady over the past six months, the Group is anticipating a solid second half ahead.

As it looks ahead to the future, the Group occupies a strong position. Its Fairwood brand remains highly respected and recognised, while the Group itself is debt-free and enjoys a healthy cash position. The immediate outlook is highly positive. In the short term its Hong Kong focus will be on smaller scale initiatives designed to bring incremental enhancements, such as improving its margins, expanding its target segments, and improving supply chain efficiencies. It has already achieved excellent results from its "Gym lovers" and "Café lovers" segmentation initiatives, and expects to follow these up with similar moves to attract a younger demographic and enhance the "youth appeal" of the Fairwood brand. While there are no plans for major changes, the Group sees the coming months as an opportunity to exercise creativity in a bid to drive new business, attract new target groups, and further consolidate its dinner segment.

In the GBA, by contrast, the Group is expecting to continue expanding quite rapidly. It believes that Fairwood stands well-positioned for growth and increased profitability in its GBA operations, now that its Mainland business model is proving its worth and achieving its target goals. The reasons for this optimism include a strong and experienced PRC-based management team, a long brand history that is widely trusted by Mainland consumers, and a clear focus of its operations on the GBA. Additionally, the current relatively weak economic environment in the GBA is well suited to the Group's value proposition. Its GBA offerings nicely match an economic situation in which middle-income consumers are looking for good value but high quality dining experiences. The Group will therefore continue to open stores in the GBA in the months ahead as appropriate venues are located.

Overall, prospects for the coming months are good. The Group's strong financial position, excellent local and regional reputation, and ability to adapt and expand its customer base all count for much, especially in a market where value dining is a priority for many. As it continues to embrace digitalisation and update its Fairwood brand image, the Group is very well-positioned to expand its customer base, attract younger target segments, and further build profitability.

## **Financial Review**

### *Liquidity and financial resources*

As at 30 September 2023, total assets of the Group amounted to HK\$2,339.7 million (31 March 2023: HK\$2,302.5 million). The Group's net current liabilities were HK\$62.2 million (31 March 2023: net current liabilities of HK\$24.8 million), represented by total current assets of HK\$846.8 million (31 March 2023: HK\$792.4 million) against total current liabilities of HK\$909.0 million (31 March 2023: HK\$817.2 million) and the current ratio, being the proportion of total current assets against total current liabilities, was 0.9 (31 March 2023: 1.0). Total equity was HK\$658.3 million (31 March 2023: HK\$680.6 million).



Despite of net current liabilities, the financial position of the Group remained healthy with bank deposits and cash and cash equivalents totaled HK\$686.6 million (31 March 2023: HK\$646.8 million) which represented 81.1% (31 March 2023: 81.6%) of total current assets. The bank deposits and cash and cash equivalents increased by HK\$39.8 million represented an increase of 6.2% from 31 March 2023 balance. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi. As at 30 September 2023, the Group had no bank loan (31 March 2023: nil) and gearing ratio was 0.0% (31 March 2023: 0.0%), which was calculated based on the total bank loan over total equity. On the other hand, the Group also had available banking facilities amounted HK\$233.6 million (31 March 2023: HK\$260.0 million) not yet utilized.

The Group finances its business with internally generated cash flows and available banking facilities. During the period under review, the Group generated net cash from operating activities totaled HK\$311.7 million (2022: HK\$414.9 million). Together with the unutilized banking facilities, the Group have sufficient financial resources to meet its financial obligations in coming twelve months from 30 September 2023.

#### *Profitability*

Annualised return on average equity was 10.9% (year ended 31 March 2023: 6.4%), being profit for the period attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

#### *Financial risk management*

The Group 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\$0.8 million (31 March 2023: HK\$0.8 million).

### *Commitments*

As at 30 September 2023, the Group's outstanding capital commitments was HK\$56.6 million (31 March 2023: HK\$10.3 million).

### *Contingent liabilities*

As at 30 September 2023, 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\$85.3 million (31 March 2023: HK\$88.9 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 2023, the total number of employees of the Group was approximately 5,600 (31 March 2023: 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 2023, 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") as set out in Appendix 10 to the Listing Rules 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)	1,040,000	56,475,384	43.59%
Peggy Lee	402,000	-	-	-	300,000	702,000	0.54%

\* This percentage has been compiled based on 129,552,780 Shares in issue as at 30 September 2023

*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>Total</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Other interests</b>	
Dennis Lo Hoi Yeung	11,500	–	279,357 <i>(Note 2)</i>	–	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 headed “Share option schemes” below, as at 30 September 2023, 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 headed “Share option schemes” below.

## **Share option schemes**

Share option scheme of the Company which was adopted on 7 September 2011 has been expired on 6 September 2021 (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.



During the six months ended 30 September 2023, Directors and employees of the Group had the following interests in options to subscribe for Shares pursuant to the 2011 Share Option Scheme and 2021 Share Option Scheme.

(A) 2011 Share Option Scheme

	Date of granted	Exercisable period	Number of options outstanding as at 1 April 2023	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 as at 30 September 2023	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) 6 July 2020	1 April 2021 to 31 March 2027 (Note 1)	40,000	-	-	(40,000)	-	-	17.90	17.84	-
	(b) 10 August 2020	1 April 2021 to 31 March 2027 (Note 1)	1,000,000	-	-	(1,000,000)	-	-	17.08	17.12	-
			1,040,000	-	-	(1,040,000)	-	-			
Peggy Lee (Director)	10 August 2020	1 April 2021 to 31 March 2027 (Note 1)	300,000	-	-	(300,000)	-	-	17.08	17.12	-
			300,000	-	-	(300,000)	-	-			
Employee	18 December 2018	1 October 2019 to 30 September 2025 (Note 2)	30,000	-	-	(30,000)	-	-	26.42	26.35	-
Employees	6 July 2020	1 April 2021 to 31 March 2027 (Note 1)	560,000	-	-	(560,000)	-	-	17.90	17.84	-
Employees	10 August 2020	1 April 2021 to 31 March 2027 (Note 1)	700,000	-	-	(700,000)	-	-	17.08	17.12	-
Employee	30 December 2020	1 December 2021 to 30 November 2027 (Note 3)	300,000	-	(300,000)	-	-	-	17.76	17.70	-
			1,590,000	-	(300,000)	(1,290,000)	-	-			
		Total:	2,930,000	-	(300,000)	(2,630,000)	-	-			

(B) 2021 Share Option Scheme

	Date of granted	Exercisable period	Number of options outstanding as at 1 April 2023	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 as at 30 September 2023	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)	5 July 2023	5 July 2024 to 4 July 2033 (Note 4)	-	1,040,000	-	-	-	1,040,000	11.456	11.420	-
Peggy Lee (Director)	5 July 2023	5 July 2024 to 4 July 2033 (Note 4)	-	300,000	-	-	-	300,000	11.456	11.420	-
Employees	5 July 2023	5 July 2024 to 4 July 2033 (Note 4)	-	2,410,000	(20,000)	-	-	2,390,000	11.456	11.420	-
		Total:	-	3,750,000	(20,000)	-	-	3,730,000			

Note 1: 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;

Note 2: 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 3: 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; and

Note 4: These options shall vest in three tranches as follows: 34% on 5 July 2024, 33% on 5 July 2025 and the remaining 33% on 5 July 2026.

The vesting date of the share options is the first anniversary of the date of grant and there is no performance target attached to the share options.

The number of options available for grant under the scheme mandate pursuant to 2021 Share Option Scheme at the beginning and the end of the six months ended 30 September 2023 is 12,955,278 and 9,205,278 respectively.



Apart from the foregoing, at no time during the six months ended 30 September 2023 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 shareholder's and other person's interests in the shares and underlying shares**

As at 30 September 2023, 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 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> )	55,440,384	42.79%

\* This percentage has been compiled based on 129,552,780 Shares in issue as at 30 September 2023

*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 5,000 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 2023.

## **Dividend**

The Board declared an interim dividend of HK11.0 cents (2022: HK18.0 cents) per Share for the six months ended 30 September 2023 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 15 December 2023. The declared dividend represented a distribution of approximately 39% (2022: 54%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Thursday, 28 December 2023.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from Thursday, 14 December 2023 to Friday, 15 December 2023 (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 Wednesday, 13 December 2023 for registration.

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

Throughout the six months ended 30 September 2023, 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 (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2023, 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 (the "Bye-laws").



Code provision B.2.2 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. 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 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 2023.

### **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 2023.

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

Pursuant to Listing Rule 13.51B(1), the Company discloses the following changes in information on Mr Peter Wan Kam To, an Independent Non-executive Director:

- (a) He resigned as an Independent Non-executive Director of China Resources Land Limited (which is listed on the main board of the Stock Exchange) from 1 July 2023;
- (b) He resigned as an Independent Non-executive Director of A-Living Smart City Services Co., Ltd. (which is listed on the main board of the Stock Exchange) from 20 July 2023; and
- (c) He has been re-appointed as the Non-executive Director of the Accounting Financial Reporting Council with effect from 1 October 2023.

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

Hong Kong, 29 November 2023