Interim Report 2012-2013

大快活 Fairwood

FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 52)

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Ng Chi Keung

Independent Non-executive Directors
Joseph Chan Kai Nin
Peter Lau Kwok Kuen
Tony Tsoi Tong Hoo
Peter Wan Kam To

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mak Yee Mei

AUDITOR

KPMG

SOLICITORS

Mayer Brown JSM
Reed Smith Richards Butler

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre 1
18 Harcourt Road, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
Bank of China (Hong Kong) Limited
UBS AG

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM11
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.fairwood.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 2012 together with the comparative figures for the six months ended 30 September 2011. The results have been reviewed by the Company's auditors, KPMG, and the Company's audit committee.

Consolidated Income Statement

For the six months ended 30 September 2012 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2012	2011 (restated)
	Note	***$'000***	*$'000*
Turnover	4	**972,776**	909,971
Cost of sales		**(832,187)**	(785,195)
Gross profit		**140,589**	124,776
Other revenue	5	**1,836**	1,227
Other net income	5	**1,859**	2,192
Selling expenses		**(15,582)**	(15,507)
Administrative expenses		**(48,578)**	(44,113)
Net valuation gains on investment properties	10(a)	**197**	1,795
Net impairment losses on fixed assets	10(b)	**(2,538)**	(502)
Profit from operations		**77,783**	69,868
Finance costs	6(a)	**(498)**	(1,157)
Profit before taxation	6	**77,285**	68,711
Income tax	7	**(13,273)**	(10,655)
Profit for the period attributable to equity shareholders of the Company		**64,012**	58,056
Earnings per share			
Basic	9(a)	**51.15 cents**	46.38 cents
Diluted	9(b)	**50.44 cents**	45.77 cents

The notes on pages 11 to 29 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 Comprehensive Income

For the six months ended 30 September 2012 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2012	2011 (restated)
	$'000	*$'000*
Profit for the period attributable to equity shareholders of the Company	**64,012**	58,056
Other comprehensive income for the period (after tax):		
Exchange differences on translation of financial statements of the People's Republic of China (the "PRC") subsidiaries	**(697)**	1,976
Total comprehensive income for the period attributable to equity shareholders of the Company	**63,315**	60,032

The notes on pages 11 to 29 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 September 2012 – unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2012** **$'000**	At 31 March 2012 (restated) $'000	At 1 April 2011 (restated) $'000
Non-current assets				
Fixed assets	*10*			
– Investment properties		**43,199**	44,202	42,367
– Other property, plant and equipment		**383,681**	350,317	349,997
– Interests in leasehold land held for own use under operating leases		**7,357**	7,463	7,675
		434,237	401,982	400,039
Goodwill		**1,001**	1,001	1,001
Rental deposits paid		**47,808**	44,721	42,245
Other financial asset	*11*	**–**	2,329	2,334
Deferred tax assets		**1,172**	780	663
		484,218	450,813	446,282
Current assets				
Non-current assets held for sale	*12*	**5,976**	–	–
Inventories		**35,545**	33,483	33,087
Trade and other receivables	*13*	**61,143**	57,153	47,785
Current tax recoverable		**–**	8	47
Bank deposits and cash	*14*	**342,613**	265,306	253,710
		445,277	355,950	334,629
Current liabilities				
Trade and other payables	*15*	**369,701**	226,104	219,560
Bank loans		**5,050**	5,024	10,908
Current tax payable		**11,669**	6,766	14,325
Provisions for long service payments and reinstatement costs		**6,005**	6,514	5,790
		392,425	244,408	250,583

Consolidated Statement of Financial Position

At 30 September 2012 – unaudited *(Continued)*

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2012** **$'000**	At 31 March 2012 (restated) $'000	At 1 April 2011 (restated) $'000
Net current assets		**52,852**	111,542	84,046
Total assets less current liabilities		**537,070**	562,355	530,328
Non-current liabilities				
Bank loans		**23,463**	25,994	31,018
Deferred tax liabilities		**13,104**	9,494	11,193
Rental deposits received		**536**	260	479
Provisions for long service payments and reinstatement costs		**29,300**	25,768	22,597
		66,403	61,516	65,287
NET ASSETS		**470,667**	500,839	465,041
CAPITAL AND RESERVES	*17*			
Share capital		**125,158**	124,500	125,414
Reserves		**345,509**	376,339	339,627
TOTAL EQUITY		**470,667**	500,839	465,041

The notes on pages 11 to 29 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012 – unaudited

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Exchange reserve $'000	Land and buildings revaluation reserve $'000	Retained profits $'000	Total $'000
At 1 April 2011								
– as previously reported		125,414	–	5,329	1,019	241	335,724	467,727
– effect of adoption of amendments to HKAS 12	2	–	–	–	–	–	(2,686)	(2,686)
– as restated		125,414	–	5,329	1,019	241	333,038	465,041
Profit for the period								
– as previously reported		–	–	–	–	–	58,226	58,226
– effect of adoption of amendments to HKAS 12	2	–	–	–	–	–	(170)	(170)
– as restated		–	–	–	–	–	58,056	58,056
Other comprehensive income for the period		–	–	–	1,976	–	–	1,976
Total comprehensive income for the period								
– as restated		–	–	–	1,976	–	58,056	60,032
Dividends approved in respect of the previous year	8(b)	–	–	–	–	–	(55,326)	(55,326)
Shares issued under share option scheme	16	1,035	5,739	–	–	–	–	6,774
Issue expenses		–	(40)	–	–	–	–	(40)
Equity-settled share-based transactions	6, 16	–	1,069	(286)	–	–	–	783
Repurchase of own shares								
– par value paid		(1,466)	–	–	–	–	–	(1,466)
– premium paid		–	(6,768)	–	–	–	(7,839)	(14,607)
		(431)	–	(286)	1,976	–	(5,109)	(3,850)
At 30 September 2011 – as restated (unaudited)		124,983	–	5,043	2,995	241	327,929	461,191

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012 – unaudited *(Continued)*

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Exchange reserve *$'000*	Land and buildings revaluation reserve *$'000*	Retained profits *$'000*	Total *$'000*
At 1 October 2011 (unaudited)								
– as previously reported		124,983	–	5,043	2,995	241	330,785	464,047
– effect of adoption of amendments to HKAS 12	2	–	–	–	–	–	(2,856)	(2,856)
– as restated		124,983	–	5,043	2,995	241	327,929	461,191
Profit for the period								
– as previously reported		–	–	–	–	–	72,341	72,341
– effect of adoption of amendments to HKAS 12	2	–	–	–	–	–	(17)	(17)
– as restated		–	–	–	–	–	72,324	72,324
Other comprehensive income for the period		–	–	–	(20)	–	–	(20)
Total comprehensive income for the period								
– as restated		–	–	–	(20)	–	72,324	72,304
Dividends approved in respect of the previous year	*8(a)*	–	–	–	–	–	(27,294)	(27,294)
Shares issued under share option scheme		50	263	–	–	–	–	313
Issue expenses		–	(29)	–	–	–	–	(29)
Equity-settled share-based transactions		–	61	371	–	–	–	432
Repurchase of own shares								
– par value paid		(533)	–	–	–	–	–	(533)
– premium paid		–	(295)	–	–	–	(5,250)	(5,545)
		(483)	–	371	(20)	–	39,780	39,648
At 31 March 2012 – as restated (audited)		124,500	–	5,414	2,975	241	367,709	500,839

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012 – unaudited *(Continued)*
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Exchange reserve *$'000*	Land and buildings revaluation reserve *$'000*	Retained profits *$'000*	Total *$'000*
At 1 April 2012								
– as previously reported		124,500	-	5,414	2,975	241	370,582	503,712
– effect of adoption of amendments to HKAS 12	2	-	-	-	-	-	(2,873)	(2,873)
– as restated		124,500	-	5,414	2,975	241	367,709	500,839
Profit for the period		-	-	-	-	-	64,012	64,012
Other comprehensive income for the period		-	-	-	(697)	-	-	(697)
Total comprehensive income for the period		-	-	-	(697)	-	64,012	63,315
Dividends approved in respect of the previous year	*8(b)*	-	-	-	-	-	(97,623)	(97,623)
Shares issued under share option scheme	*16*	1,016	7,141	-	-	-	-	8,157
Issue expenses		-	(42)	-	-	-	-	(42)
Equity-settled share-based transactions	*6, 16*	-	1,308	(803)	-	-	-	505
Repurchase of own shares	*17*							
– par value paid		(358)	-	-	-	-	-	(358)
– premium paid		-	(4,126)	-	-	-	-	(4,126)
		658	4,281	(803)	(697)	-	(33,611)	(30,172)
At 30 September 2012 (unaudited)		125,158	4,281	4,611	2,278	241	334,098	470,667

The notes on pages 11 to 29 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2012 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2012	2011
	Note	***$'000***	*$'000*
Cash generated from operations		**142,041**	125,579
Tax paid		**(5,145)**	(2,889)
Net cash generated from operating activities		**136,896**	122,690
Net cash used in investing activities		**(60,715)**	(38,785)
Net cash generated from/(used in) financing activities		**1,126**	(67,496)
Net increase in cash and cash equivalents		**77,307**	16,409
Cash and cash equivalents at 1 April		**265,306**	250,994
Cash and cash equivalents at 30 September	*14*	**342,613**	267,403

The notes on pages 11 to 29 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 November 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

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 30 and 31. In addition, this interim financial report has been reviewed by the Company's audit committee.

1 Basis of preparation *(Continued)*

The financial information relating to the financial year ended 31 March 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 June 2012.

2 Changes in accounting policies

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

– Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

– Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

Amendments to HKFRS 7 Financial instruments: disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at end of the reporting period, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

2 Changes in accounting policies *(Continued)*

Amendments to HKAS 12 Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Prior to the introduction of the rebuttable presumption mentioned above, where investment properties were held under leasehold interests, the Group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and concluded that the presumption in the amended HKAS 12 is not rebutted in respect of its investment properties. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale.

2 Changes in accounting policies *(Continued)*

This change in accounting policy has been applied retrospectively by restating the balances at 1 April 2011 and 31 March 2012, with consequential adjustments to comparatives for the six months ended 30 September 2011 as follows:

	As previously reported	Effect of adoption of amendments to HKAS 12	As restated
	$'000	*$'000*	*$'000*
Consolidated income statement for six months ended 30 September 2011:			
Income tax expense	10,485	170	10,655
Profit for the period	58,226	(170)	58,056
Basic earnings per share	46.52 cents	(0.14) cents	46.38 cents
Diluted earnings per share	45.91 cents	(0.14) cents	45.77 cents
Consolidated statement of financial position as at 31 March 2012:			
Deferred tax liabilities	6,621	2,873	9,494
Retained profits	370,582	(2,873)	367,709
Consolidated statement of financial position as at 1 April 2011:			
Deferred tax liabilities	8,507	2,686	11,193
Retained profits	335,724	(2,686)	333,038

3 Segment reporting

The Group manages its businesses by two geographical divisions, namely Hong Kong restaurant and the PRC restaurant. 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 restaurant: this segment operates fast food restaurants in Hong Kong.

- The PRC restaurant: this segment operates fast food restaurants in the PRC.

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

3 Segment reporting *(Continued)*

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results of each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Performance is measured based on segment profit before taxation. Items not specifically attributable to individual segments, such as corporate expenses (mainly costs of supporting functions that are provided by head office), are not allocated to the reportable segments.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment revenue) and cost of sales (including food cost, labour cost, rent and rates and depreciation). The inter-segment transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices and in the ordinary course of business.

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

3 Segment reporting *(Continued)*

(a) *Segment results (Continued)*

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 restaurant		The PRC restaurant		Other segments		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**866,490**	807,796	**104,348**	100,114	**1,938**	2,061	**972,776**	909,971
Inter-segment revenue	**–**	–	**–**	–	**2,689**	2,690	**2,689**	2,690
Reportable segment revenue	**866,490**	807,796	**104,348**	100,114	**4,627**	4,751	**975,465**	912,661
Reportable segment profit	**71,762**	52,739	**4,651**	12,839	**4,024**	3,338	**80,437**	68,916

(b) *Reconciliations of reportable segment profit*

	Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Profit		
Reportable segment profit before taxation	**80,437**	68,916
Change in fair value of other financial liabilities at fair value through profit or loss	**114**	(295)
Net valuation gains on investment properties	**197**	1,795
Net impairment losses on fixed assets	**(2,538)**	(502)
Unallocated corporate expenses	**(925)**	(1,203)
Consolidated profit before taxation	**77,285**	68,711

4 Turnover

The principal activities of the Group are operation of fast food restaurants and property investments.

Turnover represents the sales value of food and beverages sold to customers and rental income. An analysis of turnover is as follows:

	Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Sale of food and beverages	**970,838**	907,910
Property rental	**1,938**	2,061
	972,776	909,971

5 Other revenue and net income

	Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Other revenue		
Interest income	**1,836**	1,227
Other net income		
Electric and gas range incentives	**2,850**	1,336
Profit on sale of redemption gifts	**552**	650
Net loss on disposal of fixed assets	**(2,177)**	(246)
Others	**634**	452
	1,859	2,192

6 Profit before taxation

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

	Six months ended 30 September	
	2012	2011
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**612**	862
Change in fair value of other financial liabilities at fair value through profit or loss	**(114)**	295
	498	1,157
(b) Other items		
Cost of inventories *(Note)*	**259,693**	257,677
Depreciation of fixed assets	**35,759**	31,990
Amortisation of interests in leasehold land held for own use under operating leases	**106**	106
Equity-settled share-based payment expenses	**505**	783

Note: The cost of inventories represents food costs.

7 Income tax

	Six months ended 30 September	
	2012	2011 (restated)
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax	**10,155**	7,771
PRC taxation	**(101)**	1,062
	10,054	8,833
Deferred tax		
Origination and reversal of temporary differences	**3,219**	1,822
	13,273	10,655

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the six months ended 30 September 2012. PRC taxation represents PRC corporate income tax for the period and is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions in the PRC.

8 Dividends

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

	Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Interim dividend declared and payable after the interim period of 23.0 cents (2011: 22.0 cents) per share	**28,786**	27,294

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

8 Dividends *(Continued)*

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

	Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Final dividend in respect of the previous financial year ended 31 March 2012, approved and payable during the following interim period, of 38.0 cents (year ended 31 March 2011: 32.0 cents) per share	**47,560**	40,237
Special final dividend in respect of the previous financial year ended 31 March 2012, approved and payable during the following interim period, of 40.0 cents (year ended 31 March 2011: 12.0 cents) per share	**50,063**	15,089
	97,623	55,326

In respect of the final dividend and special final dividend for the year ended 31 March 2012, there is a difference of $513,000 between final dividend and special final dividend disclosed in the 2012 annual financial statements and amounts approved and payable during the period which represents dividends attributable to (i) shares repurchased and (ii) 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 2012 is based on the profit attributable to ordinary equity shareholders of the Company of $64,012,000 (2011 (restated): $58,056,000) and the weighted average number of ordinary shares of 125,142,000 shares (2011: 125,169,000 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 2012 is based on the profit attributable to ordinary equity shareholders of the Company of $64,012,000 (2011 (restated): $58,056,000) and the weighted average number of ordinary shares of 126,910,000 shares (2011: 126,831,000 shares), calculated as follows:

	Six months ended 30 September	
	2012	2011
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,142**	125,169
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,768**	1,662
Weighted average number of ordinary shares used in calculating diluted earnings per share	**126,910**	126,831

10 Fixed assets

(a) All investment properties of the Group were revalued as at 30 September 2012 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of surveyors, Asset Appraisal Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. Based on the valuations, a net gain of $197,000 (six months ended 30 September 2011: $1,795,000) has been credited to the consolidated income statement.

(b) During the six months ended 30 September 2012, the Group's management identified several branches which continuously underperformed and assessed the recoverable amounts of the fixed assets of those branches. Based on this assessment, the carrying amount of those fixed assets was written down by $2,538,000 (six months ended 30 September 2011: $1,454,000). In addition, the Group's management re-estimated the recoverable amounts of the fixed assets of certain branches which had been impaired in prior years and no impairment loss was written back (six months ended 30 September 2011: reversal of impairment loss of $952,000) during the six months ended 30 September 2012. As a result, the net impairment losses on fixed assets of $2,538,000 (six months ended 30 September 2011: $502,000) were recognised during the six months ended 30 September 2012. The estimates of recoverable amount were based on the fixed assets' value in use, determined using a discount rate of 10% (six months ended 30 September 2011: 10%).

(c) During the six months ended 30 September 2012, the Group acquired items of fixed assets with a cost of $77,425,000 (six months ended 30 September 2011: $45,272,000). Items of fixed assets with a net book value of $2,225,000 were disposed of during the six months ended 30 September 2012 (six months ended 30 September 2011: $246,000).

(d) At 30 September 2012, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to $47,828,000 (31 March 2012: $48,271,000).

11 Other financial asset

Other financial asset represented a principal protected structured note placed with a financial institution which was subject to call option at the discretion of the financial institution before the maturity date on 12 June 2013. Interest was receivable on a quarterly basis and calculated at variable interest rates with reference to the London Interbank Offered Rate.

The structured note has been early redeemed by the financial institution during the period.

12 Non-current assets held for sale

Leasehold land and buildings of $4,776,000 and investment properties of $1,200,000 are presented as non-current assets held for sale as at 30 September 2012 following the decision of the group's management to dispose of these properties. It is contemplated that such disposals would be completed before the end of 2012.

13 Trade and other receivables

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts), based on the invoice date, with the following ageing analysis:

	At 30 September 2012 *$'000*	At 31 March 2012 *$'000*
1 to 30 days	**3,975**	3,180
31 to 90 days	**8**	321
91 to 180 days	**–**	–
181 to 365 days	**–**	1
	3,983	3,502

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

14 Bank deposits and cash

	At 30 September 2012	At 31 March 2012
	$'000	*$'000*
Deposits with banks	**189,465**	136,359
Cash at bank and in hand	**153,148**	128,947
Cash and cash equivalents in the condensed consolidated cash flow statement	**342,613**	265,306

15 Trade and other payables

	At 30 September 2012	At 31 March 2012
	$'000	*$'000*
Creditors and accrued expenses	**270,472**	224,376
Dividends payable	**97,623**	–
Rental deposits received	**806**	813
	368,901	225,189
Derivative financial instruments	**800**	915
	369,701	226,104

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:

	At 30 September 2012	At 31 March 2012
	$'000	*$'000*
1 to 30 days	**86,219**	67,177
31 to 90 days	**2,094**	2,828
91 to 180 days	**198**	303
181 to 365 days	**110**	79
Over one year	**926**	990
	89,547	71,377

16 Equity-settled share-based transactions

During the six months ended 30 September 2012, share options were exercised to subscribe for 1,016,000 (six months ended 30 September 2011: 1,035,000) ordinary shares of the Company at a consideration of $8,157,000 (six months ended 30 September 2011: $6,774,000), of which $1,016,000 (six months ended 30 September 2011: $1,035,000) was credited to share capital and the balance of $7,141,000 (six months ended 30 September 2011: $5,739,000) was credited to the share premium account. $1,308,000 (six months ended 30 September 2011: $1,069,000) has been transferred from the capital reserve to the share premium account upon the exercise of respective share options during the period.

17 Capital and reserves

During the six months ended 30 September 2012, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		$	*$*	*$'000*
April 2012	67,500	12.50	12.40	843

291,000 shares were repurchased by the Company in March 2012 but the share cancellation has not yet been completed as at 31 March 2012. As a result, the nominal value of these shares was not deducted from the issued share capital of the Company as at 31 March 2012. Together with the 67,500 shares repurchased by the Company in April 2012, 358,500 repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium paid on the repurchase of the shares of $4,126,000 was charged to the Group's reserves.

18 Capital commitments

Capital commitments outstanding at 30 September 2012 not provided for in the Group's interim financial report were as follows:

	At 30 September 2012	At 31 March 2012
	$'000	*$'000*
Authorised and contracted for	**4,880**	15,278
Authorised but not contracted for	**23,337**	30,439
	28,217	45,717

Included in capital commitments outstanding at 30 September 2012 was an amount of $18,088,000 (31 March 2012: $20,170,000) for the future development of the central food processing plant to facilitate the Group's long term business growth.

19 Contingent liabilities

At 30 September 2012, 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 ("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 $78,274,000 (31 March 2012: $77,563,000).

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.

20 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim report, the Group entered into the following material related party transactions during the six months ended 30 September 2012:

(a) Remuneration for key management personnel of the Group for the six months ended 30 September 2012 is as follows:

	Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Salaries and other short-term employee benefits	**7,437**	7,069
Contribution to defined contribution retirement plans	**18**	18
	7,455	7,087

(b) During the period, a subsidiary of the Company leased a property from New Champion International Limited ("New Champion"). Mr Dennis Lo Hoi Yeung is a director of the Company and New Champion. Rental expenses incurred during the period amounted to $834,000 (six months ended 30 September 2011: $720,000).

20 Material related party transactions *(Continued)*

(c) During the period, a subsidiary of the Company leased a property from Hibony Limited ("Hibony"). Mr Dennis Lo Hoi Yeung is a director of the Company and Hibony. Rental expenses incurred during the period amounted to $1,247,000 (six months ended 30 September 2011: $Nil).

21 Comparative figures

Certain comparative figures have been adjusted as a result of the changes in accounting policies. Further details are disclosed in note 2 to the interim financial report.

KPMG

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 29 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2012 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months 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 ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 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 HKICPA. 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 2012 is not prepared, in all material respects, in accordance with HKAS 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 November 2012

Management Discussion and Analysis

This year is a momentous milestone for Fairwood as it marks the 40th year of the Group's operation. The continuous guidance and support of stakeholders have encouraged the Group to overcome the challenges of the past four decades and to create the success of Fairwood today. Through its 40th anniversary celebration campaigns the Group has expressed its appreciation to those who have contributed to the Group in the past.

Overall performance

For the six months ended 30 September 2012, the Group achieved an increase in turnover of 6.9% to HK$972.8 million, up from HK$910.0 million recorded in the last corresponding period. Gross profit margin rose modestly to 14.5% from 13.7% in the last corresponding period. Profit for the period attributable to equity shareholders of the Company was HK$64.0 million, an increase of 10.3% from HK$58.1 million reported for the same period last year. Basic earnings per share were HK51.15 cents (six months ended 30 September 2011 (restated): HK46.38 cents).

Business review

Hong Kong

The Group managed to deliver a satisfactory performance and sustain its leading role in the Hong Kong market in the face of ongoing challenges in the operational environment down through the years, validating the Group's management strategy for fortifying its market position. Key components of that strategy have centered on product innovation, cost management and people culture development. Furthermore, we continued to focus on our mission "Enjoy Great Food, Live a Great Life", and applied it to every aspect of our business by extending it from our internal operation to the wider community.

Over the years, Fairwood has introduced a variety of high value-added innovative products to enrich the menu and to satisfy every palate. New delights such as Ramen Hot Pot and Slow Cook Beef dishes have been well received by the market. Higher average spending and traffic flow during the review period have resulted in satisfactory same store sales growth thus overall financial performance.

Effective cost management strategy has also played an important role in the Group's success. Operational and infrastructural enhancement measures such as the central food processing plant, the SAP Enterprise Resources Planning (ERP) System, flexible scheduling shift and global sourcing for quality food and ingredients at competitive prices have been implemented to enhance the Group's overall efficiency and enhance quality control.

A strong team integrating all levels of staff across all operations has also been forged to advance the Group' progress over the past years. The bonding among team members has never been closer, and their relationships have been further strengthened after organising a series of campaigns as Fairwood commemorates its 40th anniversary.

Over these 40 years, Fairwood has grown from the humble beginnings as one small fast food store to one of the leading fast food chain operators in Hong Kong. The Group would not have been able to achieve today's success without the contribution and commitment from employees, shareholders, strategic partners, customers and the community. In return, during this special year, the Group would like to express its gratitude and to reward stakeholders for their long term support. Various reward schemes are being introduced to show its appreciation to each stakeholder group such as the "Scratch Card Campaign" to the customers and the "Fairwood $4 Meal Campaign" for the wider community. The "Fairwood $4 Meal Campaign" has been highly successful with an overwhelming response from the general public. The promotion is also an important initiative in fulfilling its commitment to corporate social responsibility by arousing public awareness on financial difficulties faced by certain senior citizens and grassroot segments in Hong Kong.

Mainland China

As Mainland China's economic growth has slowed down and certain stores were just newly opened, financial performance of Mainland China's operation during the review period was affected. The management decided to move forward adopting a more prudent development strategy. In order to generate better performance in the Mainland, the Group has devised plans specifically for the market riding on experiences gained from Hong Kong market's success, including establishment of a master kitchen to ensure quality consistency, and implementation of cost control plans and the SAP ERP system to improve efficiency. The Group will also focus more on talent development to better prepare for Mainland's business development and explore the delivery of Mainland China-specific customer experience.

Network

During the review period, the Group has achieved a stable growth in its network of stores, opening 14 new fast food stores, including 7 in Hong Kong and 7 in Mainland China. As at 30 September 2012, the Group had a total of 116 stores in operation in Hong Kong, including 106 fast food stores, 4 Kenting Tea Houses, 3 Buddies Cafes and 3 other specialty restaurants covering a number of locations. In Mainland China, the Group operated 25 fast food stores as at the end of the reporting period.

Prospect

Moving forward, Hong Kong's operational environment is expected to remain challenging, the Group is confident it can weather through the good and bad times. The Minimum Wage Commission has submitted a recommendation to the Hong Kong SAR Government in September to raise Hong Kong's minimum wage from HK$28 to HK$30. Close attention to fundamentals including infrastructural and operational improvements have enabled the Group to successfully mitigate the erosion of margins from the last minimum wage legislation; the management believes the Group will be confident to tackle the impact of the second legislation on minimum wages.

As the 40th anniversary celebration continues, a series of refined classic delights in the 1970's are to be debuted. The Group believes the re-launch of these classic items will spur the general public to recall their good times of yesteryear.

Apart from realising the hopes of the Group's customers and attractive returns for its shareholders, Fairwood also aims to fulfill the needs of the wider community. Towards the latter, the Group intends to continue the idea behind the "Fairwood $4 Meal Campaign", through offering its helping hand by supporting the meal subsidy initiative in collaboration with St. James Settlement since October 2012. Qualified individuals will be eligible to purchase a hot meal box at a discounted price for the following six months.

Last but not the least, the Group deeply appreciates all the support and encouragement provided by all stakeholders during the past 40 years. For the next 40 years and beyond, Fairwood will remain focused on the corporate vision of "Enjoy Great Food, Live a Great Life" to customers as well as other stakeholders, and to deliver the best possible returns to shareholders by maintaining long-term sustainable growth.

Financial Review

Liquidity and financial resources

At 30 September 2012, total assets of the Group amounted to HK$929.5 million (31 March 2012: HK$806.8 million). The Group's working capital was HK$52.9 million (31 March 2012: HK$111.5 million), represented by total current assets of HK$445.3 million (31 March 2012: HK$355.9 million) against total current liabilities of HK$392.4 million (31 March 2012: HK$244.4 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.1 (31 March 2012: 1.5). Total equity was HK$470.7 million (31 March 2012 (restated): HK$500.8 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2012, the Group had bank deposits and cash amounting to HK$342.6 million (31 March 2012: HK$265.3 million), representing an increase of 29.1% from 31 March 2012. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 30 September 2012, the Group had total bank loans of HK$28.5 million denominated in Hong Kong dollars (31 March 2012: HK$31.0 million). All of the Group's bank borrowings were subject to floating rate basis and the maturity of borrowings are up to 2019. The unutilised banking facilities were HK$336.0 million (31 March 2012: HK$271.1 million). The gearing ratio of the Group was 6.1% (31 March 2012: 6.2%), which was calculated based on the total bank loans over total equity.

Profitability

Annualized return on average equity was 26.4% (year ended 31 March 2012 (restated): 24.2%), being profit for the period attributable to equity shareholders of the Company excluding the compensation received for surrender of a tenancy lease against the average total equity at the beginning and the end of the reporting period and then multiplying by two.

Financial risk management

The Group's receipts and expenditures were mainly denominated in Hong Kong dollars and Renminbi. The impact of the fluctuation in exchange rate is immaterial to the Group's financial position.

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

For the purpose of offsetting the exposure of the interest rate fluctuation, the Group had entered certain forward interest rate swaps with financial institutions. The swaps were arranged to match the maturity of the repayment schedule of certain bank loans with the maturity over the next 4 years and had the fixed swap rates ranging from 2.63% to 2.74%.

Charges on 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$47.8 million (31 March 2012: HK$48.3 million).

Commitments

The Group's capital commitments outstanding at 30 September 2012 was HK$28.2 million (31 March 2012: HK$45.7 million). Included in capital commitments outstanding at 30 September 2012 was an amount of HK$18.1 million (31 March 2012: HK$20.2 million) for the future development of the central food processing plant.

Contingent liabilities

At 30 September 2012, 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 facilities drawn down by all the subsidiaries that are covered by the guarantees, being HK$78.3 million (31 March 2012: HK$77.6 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

At 30 September 2012, the total number of employees of the Group was approximately 4,600 (31 March 2012: 4,600). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually basing on performance appraisals and other relevant factors.

The Group continues to offer competitive remuneration packages, share options and bonus to eligible staff, based on the performance of the Group and the individual employee. Also, the Group has committed to provide related training programme to improve the quality, competence and skills of all staff.

Other Information

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 30 September 2012, the interests or short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) *Interests in the Company*

	Ordinary Shares of HK$1 each				Number of underlying shares pursuant to Share Option		Percentage of total issued shares
	Personal interests	**Family interests**	**Corporate interests**	**Other interests**		**Total**	
Dennis Lo Hoi Yeung	109,000	–	–	55,435,384 *(Note 1)*	–	55,544,384	44.38%
Chan Chee Shing	15,000	–	–	–	1,000,000	1,015,000	0.81%
Mak Yee Mei	760,000	–	–	–	240,000	1,000,000	0.80%

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

(b) Interests in Fairwood Fast Food Limited

	Non-voting deferred shares of HK$10 each				
	Personal interests	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Dennis Lo Hoi Yeung	11,500	–	–	279,357 *(Note 2)*	290,857

Note 2: These shares were held by Pengto International Limited ("Pengto"), a company beneficially owned by a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object. Mr Dennis Lo Hoi Yeung, by virtue of his interest in the trust as a discretionary object and as the Executive Chairman of the Company, was deemed to be interested in the shares held by Pengto.

All the interests stated above represent long positions.

Apart from the foregoing and those disclosed under the section "Share option scheme" below, as at 30 September 2012, none of the Directors or chief executives of the Company or any of their spouses or children under eighteen years of age had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Details of Directors' and chief executives' interests under the Company's share option scheme are also set out in the section "Share option scheme" below.

Share option scheme

On 7 September 2011, the Company terminated its then share option scheme that was adopted on 18 September 2002 (the "2002 Option Scheme") and adopted a new share option scheme (the "2011 Option Scheme") on the same date. As a result of the termination, no further options may be granted under the 2002 Option Scheme but the options that have been granted and remained outstanding as of that date under the 2002 Option Scheme remain effective.

As at 30 September 2012,

(i) No option was granted under the 2011 Option Scheme; and

(ii) the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company pursuant to the 2002 Option Scheme.

	Number of options outstanding at 1 April 2012	Number of options granted during the period	Date granted	Exercisable period	Number of options lapsed during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2012	Exercise price per share *HK$*	Closing price per share immediately before date of grant of options *HK$*	Weighted average price of closing price per share immediately before date of exercise of options *HK$*
Chan Chee Shing *(Director)*	1,000,000	–	8 April 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	–	–	1,000,000	6.26	6.28	–
Mak Yee Mei *(Director)*	320,000	–	1 March 2010	Exercisable in five tranches of 20% during the period from 1 January 2011 to 31 December 2016	–	(80,000)	240,000	8.08	8.07	16.86
Employees	1,680,000	–	8 April 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	–	(566,000)	1,114,000	6.26	6.28	13.62
Employee	60,000	–	10 July 2009	Exercisable in five tranches of 20% during the period from 1 July 2010 to 30 June 2016	–	(20,000)	40,000	7.69	7.30	15.30

	Number of options outstanding at 1 April 2012	Number of options granted during the period	Date granted	Exercisable period	Number of options lapsed during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2012	Exercise price per share *HK$*	Closing price per share immediately before date of grant of options *HK$*	Weighted average price of closing price per share immediately before date of exercise of options *HK$*
Employee	50,000	–	17 December 2010	Exercisable in five tranches of 20% during the period from 17 December 2011 to 16 November 2018	(40,000)	(10,000)	–	10.96	10.60	15.30
Employee	100,000	–	16 February 2011	Exercisable in five tranches of 20% during the period from 16 February 2012 to 15 February 2017	–	(20,000)	80,000	10.90	10.92	15.30
Employee	800,000	–	28 April 2011	Exercisable in five tranches of 20% during the period from 28 April 2012 to 27 May 2019	–	(160,000)	640,000	10.91	10.84	16.86
Employee	800,000	–	9 May 2011	Exercisable in five tranches of 20% during the period from 9 May 2012 to 8 May 2019	–	(160,000)	640,000	10.88	10.82	14.18

Apart from the foregoing, at no time during the six months ended 30 September 2012 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any of its associated corporations within the meaning of the SFO.

Substantial interests in the share capital of the Company

As at 30 September 2012, the interests or short positions of every person, other than the Directors and chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company, were as follows:–

	Shares directly and/or indirectly held	Percentage of total issued shares
(i) Neblett *(Note 1)*	48,775,384	38.97%
(ii) CFJ *(Note 2)*	6,660,000	5.32%
(iii) Winning Spirit International Corporation *(Note 1)*	48,775,384	38.97%
(iv) HSBC International Trustee Limited *(Note 1)*	48,775,384	38.97%
(v) HSBC Trustee (Cook Islands) Limited *(Note 2)*	6,660,000	5.32%
(vi) Allard Partners Limited	12,419,500	9.92%

Note 1: These interests represented the same block of shares directly held by Neblett. Winning Spirit International Corporation owned 100% interest in Neblett and was therefore deemed to be interested in the shares directly held by Neblett. HSBC International Trustee Limited, in its capacity as a trustee of a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object, owned 100% interest in Winning Spirit International Corporation and was therefore deemed to be interested in the shares directly held by Neblett; and

Note 2: These interests represented the same block of shares directly held by CFJ. HSBC Trustee (Cook Islands) Limited, in its capacity as trustee of a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object, owned 100% interest in CFJ and was therefore deemed to be interested in the shares directly held by CFJ.

All the interests stated above represent long positions.

Save as disclosed above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register required to be kept under Section 336 of the SFO as at 30 September 2012.

Dividend

The Board declared an interim dividend of HK23.0 cents (2011: HK22.0 cents) per share for the six months ended 30 September 2012 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 14 December 2012. The declared dividend represents a distribution of approximately 45% of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 21 December 2012.

Closure of register of members

The Register of Members of the Company will be closed from Wednesday, 12 December 2012 to Friday, 14 December 2012 (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 Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 11 December 2012 for registration.

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

During the six months ended 30 September 2012, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	*HK$*	*HK$'000*
April 2012	67,500	12.50	12.40	843

291,000 shares were repurchased by the Company in March 2012 but the share cancellation has not yet been completed as at 31 March 2012. As a result, the nominal value of these shares was not deducted from the issued share capital of the Company as at 31 March 2012. Together with the 67,500 shares repurchased by the Company in April 2012, 358,500 repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium paid on the repurchase of the shares of HK$4,126,000 was charged to the Group's reserves.

Saved as disclosed above, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

Corporate governance

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2012, save and except that the Chairman and the Managing Director 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 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) from such retirement by rotation provisions would provide the Group with strong and consistent leadership, efficient use of resources, effective planning, formulation and implementation of long-term strategies and business plans. The Board believes that it would be in the best interest of the Company for such Directors to continue to be exempted from retirement by rotation provisions.

Audit committee

The audit committee comprises one Non-executive Director and three Independent Non-executive Directors and reports to the Board. The audit committee has reviewed with the management and the Company's external auditors the unaudited financial information and interim results for the six months ended 30 September 2012.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. 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 2012.

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

Pursuant to Listing Rule 13.51B(1), the Company discloses the following change in information on Directors:

Mr Peter Wan Kam To, an Independent Non-executive Director, was appointed as Independent Non-executive Director of KFM Kingdom Holdings Limited (which is listed on the main board of the Stock Exchange) on 15 October 2012.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 27 November 2012