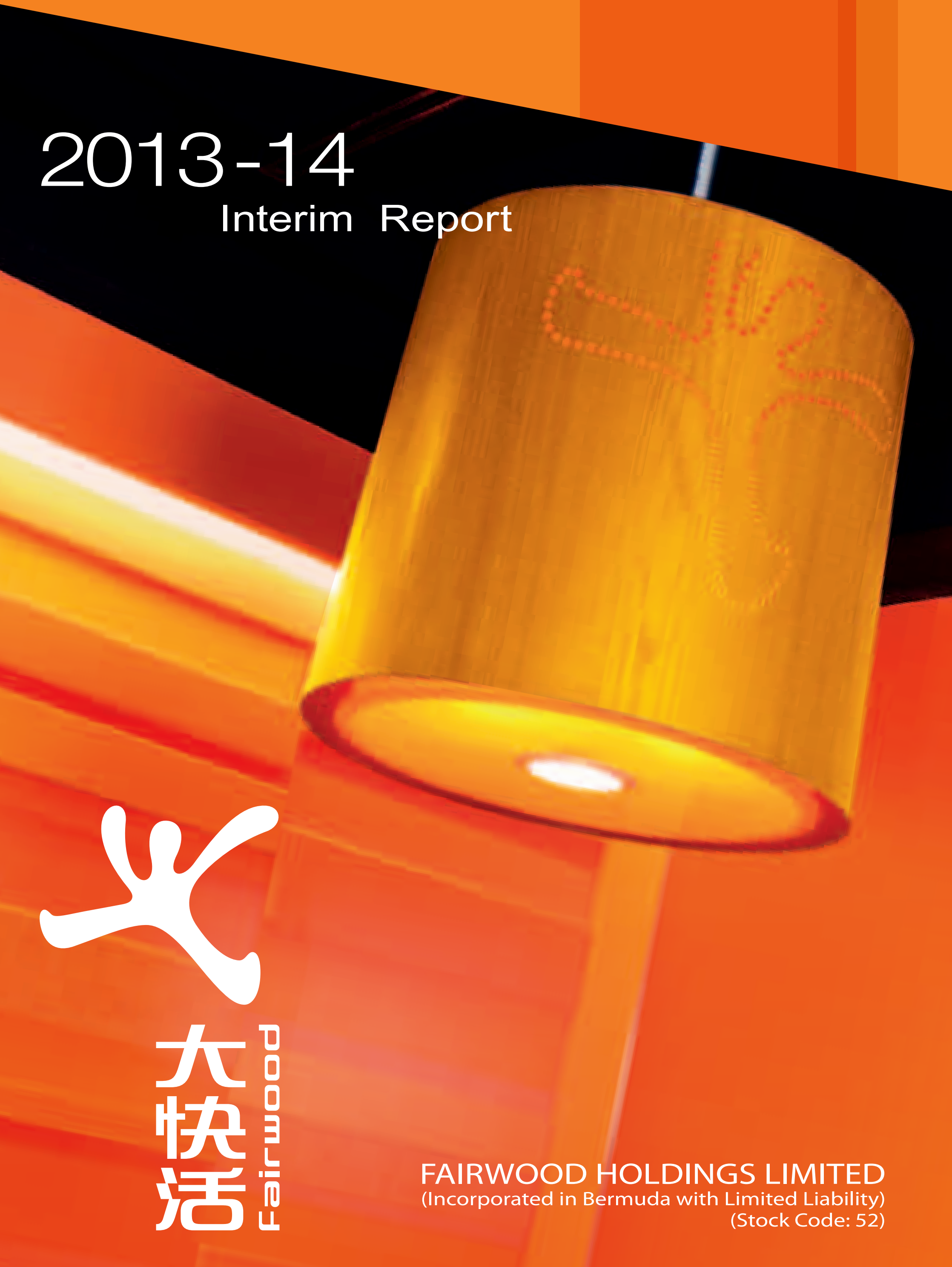
2013-14

Interim Report



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
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 2013 together with the comparative figures for the six months ended 30 September 2012. 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 2013 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2013	2012
	Note	***$'000***	*$'000*
Turnover	*4*	**1,012,960**	972,776
Cost of sales		**(871,412)**	(832,187)
Gross profit		**141,548**	140,589
Other revenue	*5*	**2,120**	1,836
Other net income	*5*	**2,347**	1,489
Selling expenses		**(15,684)**	(15,582)
Administrative expenses		**(45,938)**	(48,208)
Net valuation gains on investment properties	*10(a)*	**1,782**	197
Impairment losses on fixed assets	*10(b)*	**(4,387)**	(2,538)
Profit from operations		**81,788**	77,783
Finance costs	*6(a)*	**(307)**	(498)
Profit before taxation	*6*	**81,481**	77,285
Income tax	*7*	**(14,312)**	(13,273)
Profit for the period attributable to equity shareholders of the Company		**67,169**	64,012
Earnings per share			
Basic	*9(a)*	**53.48 cents**	51.15 cents
Diluted	*9(b)*	**52.86 cents**	50.44 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 2013 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2013	2012
	$'000	*$'000*
Profit for the period attributable to equity shareholders of the Company	**67,169**	64,012
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of the subsidiaries in the People's Republic of China (the "PRC")	**1,496**	(697)
Total comprehensive income for the period attributable to equity shareholders of the Company	**68,665**	63,315

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

Consolidated Statement of Financial Position

At 30 September 2013 – unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2013 $'000**	At 31 March 2013 $'000
Non-current assets			
Fixed assets	*10*		
– Investment properties		**59,892**	58,110
– Other property, plant and equipment		**355,116**	368,110
– Interests in leasehold land held for own use under operating leases		**7,145**	7,251
		422,153	433,471
Goodwill		**1,001**	1,001
Rental deposits paid		**48,520**	46,892
Deferred tax assets		**2,070**	2,045
		473,744	483,409
Current assets			
Inventories		**32,365**	31,593
Trade and other receivables	*11*	**62,683**	55,999
Current tax recoverable		**–**	10
Bank deposits and cash	*12*	**382,304**	290,992
		477,352	378,594
Current liabilities			
Trade and other payables	*13*	**331,901**	248,739
Bank loans		**10,304**	5,077
Current tax payable		**21,115**	10,749
Provisions for long service payments and reinstatement costs	*15*	**5,475**	8,953
		368,795	273,518

Consolidated Statement of Financial Position

At 30 September 2013 – unaudited *(continued)*
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2013** **$'000**	At 31 March 2013 $'000
Net current assets		**108,557**	105,076
Total assets less current liabilities		**582,301**	588,485
Non-current liabilities			
Bank loans		**13,159**	20,917
Deferred tax liabilities		**12,910**	13,867
Rental deposits received		**1,338**	1,152
Provisions for long service payments and reinstatement costs	*15*	**29,823**	32,850
		57,230	68,786
NET ASSETS		**525,071**	519,699
Capital and reserves	*16*		
Share capital		**125,510**	125,178
Reserves		**399,561**	394,521
TOTAL EQUITY		**525,071**	519,699

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 2013 – 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 2012 (audited)		124,500	–	5,414	2,975	241	367,709	500,839
Changes in equity for the six months ended 30 September 2012:								
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
Dividend approved in respect of the previous year	*8(b)*	–	–	–	–	–	(97,623)	(97,623)
Shares issued under share option scheme	*14*	1,016	7,141	–	–	–	–	8,157
Issue expenses		–	(42)	–	–	–	–	(42)
Equity-settled share-based transactions	*6, 14*	–	1,308	(803)	–	–	–	505
Repurchase of own shares	*16*							
– par value paid		(358)	–	–	–	–	–	(358)
– premium and transaction costs 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

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013 – 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 2012 (unaudited)		125,158	4,281	4,611	2,278	241	334,098	470,667
Changes in equity for the six months ended 31 March 2013:								
Profit for the period		–	–	–	–	–	75,457	75,457
Other comprehensive income for the period		–	–	–	1,136	527	–	1,663
Total comprehensive income for the period		–	–	–	1,136	527	75,457	77,120
Dividend approved in respect of the previous year	*8(a)*	–	–	–	–	–	(28,786)	(28,786)
Shares issued under share option scheme	*14*	20	198	–	–	–	–	218
Issue expenses		–	(9)	–	–	–	–	(9)
Equity-settled share-based transactions	*6, 14*	–	(12)	501	–	–	–	489
		20	177	501	1,136	527	46,671	49,032
At 31 March 2013 (audited)		125,178	4,458	5,112	3,414	768	380,769	519,699

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013 – 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 2013 (audited)		**125,178**	**4,458**	**5,112**	**3,414**	**768**	**380,769**	**519,699**
Changes in equity for the six months ended 30 September 2013:								
Profit for the period		–	–	–	–	–	**67,169**	**67,169**
Other comprehensive income for the period		–	–	–	**1,496**	–	–	**1,496**
Total comprehensive income for the period		–	–	–	**1,496**	–	**67,169**	**68,665**
Dividend approved in respect of the previous year	*8(b)*	–	–	–	–	–	**(61,500)**	**(61,500)**
Shares issued under share option scheme	*14*	**872**	**6,215**	–	–	–	–	**7,087**
Issue expenses		–	**(29)**	–	–	–	–	**(29)**
Equity-settled share-based transactions	*6, 14*	–	**1,331**	**(1,501)**	–	–	–	**(170)**
Repurchase of own shares	*16*							
– par value paid		**(540)**	–	–	–	–	–	**(540)**
– premium and transaction costs paid		–	**(8,141)**	–	–	–	–	**(8,141)**
		332	**(624)**	**(1,501)**	**1,496**	–	**5,669**	**5,372**
At 30 September 2013 (unaudited)		**125,510**	**3,834**	**3,611**	**4,910**	**768**	**386,438**	**525,071**

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 2013 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2013	2012
	Note	***$'000***	*$'000*
Cash generated from operations		**133,827**	142,041
Tax paid		**(4,891)**	(5,145)
Net cash generated from operating activities		**128,936**	136,896
Net cash used in investing activities		**(33,471)**	(60,715)
Net cash (used in)/generated from financing activities		**(4,153)**	1,126
Net increase in cash and cash equivalents		**91,312**	77,307
Cash and cash equivalents at 1 April		**290,992**	265,306
Cash and cash equivalents at 30 September	*12*	**382,304**	342,613

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 28 November 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 June 2013.

2 Changes in accounting policies

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

– Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

– HKFRS 10, *Consolidated financial statements*

– HKFRS 13, *Fair value measurement*

– *Annual Improvements to HKFRSs 2009-2011 Cycle*

– Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

2 Changes in accounting policies *(continued)*

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK–SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 19. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not disclose segment assets and liabilities on the basis that the amounts are not regularly provided to the CODM.

2 Changes in accounting policies *(continued)*

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into any master netting arrangement or similar agreement which is subject to the disclosure requirements of HKFRS 7.

3 Segment reporting

The Group manages its businesses by two divisions, namely Hong Kong restaurant and the PRC restaurant, which are organised by geographical locations. 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 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 and liabilities information are 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**922,264**	866,490	**88,288**	104,348	**2,408**	1,938	**1,012,960**	972,776
Inter-segment revenue	**–**	–	**–**	–	**2,352**	2,689	**2,352**	2,689
Reportable segment revenue	**922,264**	866,490	**88,288**	104,348	**4,760**	4,627	**1,015,312**	975,465
Reportable segment profit/(loss)	**82,235**	71,257	**(2,207)**	4,651	**3,855**	3,604	**83,883**	79,512

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2013	2012
	$'000	*$'000*
Profit		
Reportable segment profit before taxation	**83,883**	79,512
Change in fair value of other financial liabilities at fair value through profit or loss	**203**	114
Net valuation gains on investment properties	**1,782**	197
Impairment losses on fixed assets	**(4,387)**	(2,538)
Consolidated profit before taxation	**81,481**	77,285

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	
	2013	2012
	$'000	*$'000*
Sale of food and beverages	**1,010,552**	970,838
Property rental	**2,408**	1,938
	1,012,960	972,776

5 Other revenue and net income

	Six months ended 30 September	
	2013	2012
	$'000	*$'000*
Other revenue		
Interest income	**2,120**	1,836
Other net income		
Electric and gas range incentives	**2,096**	2,850
Profit on sale of redemption gifts	**581**	552
Net foreign exchange gain/(loss)	**1,161**	(370)
Net loss on disposal of fixed assets	**(2,341)**	(2,177)
Others	**850**	634
	2,347	1,489

6 Profit before taxation

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

	Six months ended 30 September	
	2013	2012
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**510**	612
Change in fair value of other financial liabilities at fair value through profit or loss	**(203)**	(114)
	307	498
(b) Other items		
Cost of inventories *(Note)*	**269,922**	259,693
Depreciation of fixed assets	**36,792**	35,759
Amortisation of interests in leasehold land held for own use under operating leases	**106**	106
Equity-settled share-based payment (income)/expenses	**(170)**	505

Note: The cost of inventories represents food costs.

7 Income tax

	Six months ended 30 September	
	2013	2012
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax	**15,267**	10,155
PRC taxation	**–**	(101)
	15,267	10,054
Deferred tax		
Origination and reversal of temporary differences	**(955)**	3,219
	14,312	13,273

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the six months ended 30 September 2013. 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	
	2013	2012
	$'000	*$'000*
Interim dividend declared and payable after the interim period of 23.0 cents (2012: 23.0 cents) per share	**28,867**	28,786

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	
	2013	2012
	$'000	*$'000*
Final dividend in respect of the previous financial year ended 31 March 2013, approved and payable during the following interim period, of 39.0 cents (year ended 31 March 2012: 38.0 cents) per share	**48,949**	47,560
Special final dividend in respect of the previous financial year ended 31 March 2013, approved and payable during the following interim period, of 10.0 cents (year ended 31 March 2012: 40.0 cents) per share	**12,551**	50,063
	61,500	97,623

In respect of the final dividend and special final dividend for the year ended 31 March 2013, there is a difference of $163,000 (year ended 31 March 2012: $513,000) between the final dividend and special final dividend disclosed in the 2013 annual financial statements and amounts approved and payable during the period. The difference 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 2013 is based on the profit attributable to ordinary equity shareholders of the Company of $67,169,000 (2012: $64,012,000) and the weighted average number of ordinary shares of 125,591,000 shares (2012: 125,142,000 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 2013 is based on the profit attributable to ordinary equity shareholders of the Company of $67,169,000 (2012: $64,012,000) and the weighted average number of ordinary shares of 127,077,000 shares (2012: 126,910,000 shares), calculated as follows:

	Six months ended 30 September	
	2013	2012
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,591**	125,142
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,486**	1,768
Weighted average number of ordinary shares used in calculating diluted earnings per share	**127,077**	126,910

10 Fixed assets

(a) All investment properties of the Group were revalued as at 30 September 2013 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 $1,782,000 (six months ended 30 September 2012: $197,000) has been credited to the consolidated income statement.

(b) During the six months ended 30 September 2013, the Group's management identified certain branches which continued to under-perform and estimated the recoverable amounts of the fixed assets of those branches. Based on these estimates, the carrying amount of the fixed assets was written down by $4,387,000 (six months ended 30 September 2012: $2,538,000). The estimates of recoverable amount were based on the fixed assets' value in use, determined using a discount rate of 13% (six months ended 30 September 2012: 10%).

(c) During the six months ended 30 September 2013, the Group acquired items of fixed assets with a cost of $29,216,000 (six months ended 30 September 2012: $77,425,000). Items of fixed assets with a net book value of $2,361,000 were disposed of during the six months ended 30 September 2013 (six months ended 30 September 2012: $2,225,000).

(d) At 30 September 2013, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to $47,973,000 (31 March 2013: $47,018,000).

11 Trade and other receivables

All trade and other receivables of the Group, apart from certain utility deposits totalling $3,794,000 (31 March 2013: $3,154,000), are expected to be recovered or recognised as expenses within one year.

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

	At 30 September 2013	At 31 March 2013
	$'000	*$'000*
1 to 30 days	**2,362**	5,967
31 to 90 days	**55**	543
	2,417	6,510

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.

12 Bank deposits and cash

	At 30 September 2013	At 31 March 2013
	$'000	*$'000*
Deposits with banks	**284,540**	237,673
Cash at bank and in hand	**97,764**	53,319
Cash and cash equivalents in the condensed consolidated cash flow statement	**382,304**	290,992

13 Trade and other payables

	At 30 September 2013 $'000	At 31 March 2013 $'000
Creditors and accrued expenses	**248,119**	223,704
Receipts in advance	**21,844**	24,209
Dividends payable	**61,500**	–
Rental deposits received	**39**	224
	331,502	248,137
Derivative financial instruments	**399**	602
	331,901	248,739

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

	At 30 September 2013 $'000	At 31 March 2013 $'000
1 to 30 days	**90,471**	76,729
31 to 90 days	**1,325**	2,959
91 to 180 days	**329**	972
181 to 365 days	**51**	41
Over one year	**734**	1,004
	92,910	81,705

14 Equity-settled share-based transactions

During the six months ended 30 September 2013, share options were exercised to subscribe for 872,000 (six months ended 30 September 2012: 1,016,000) ordinary shares of the Company at a consideration of $7,087,000 (six months ended 30 September 2012: $8,157,000), of which $872,000 (six months ended 30 September 2012: $1,016,000) was credited to share capital and the balance of $6,215,000 (six months ended 30 September 2012: $7,141,000) was credited to the share premium account. $1,331,000 (six months ended 30 September 2012: $1,308,000) has been transferred from the capital reserve to the share premium account upon the exercise of respective share options during the period.

15 Provisions for long service payments and reinstatement costs

	At 30 September 2013	At 31 March 2013
	$'000	*$'000*
Provision for long service payments	**11,460**	18,060
Provision for reinstatement costs for rented premises	**23,838**	23,743
	35,298	41,803
Less: Amount included under "current liabilities"	**(5,475)**	(8,953)
	29,823	32,850

16 Capital and reserves

During the six months ended 30 September 2013, 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**
		$	*$*	*$'000*
June 2013	250,000	16.00	15.64	3,984
July 2013	276,500	16.14	16.12	4,462
August 2013	13,000	16.12	16.12	210
	539,500			8,656

The above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of $8,116,000 and $25,000 respectively were charged to the Group's share premium account.

17 Capital commitments

Capital commitments outstanding at 30 September 2013 not provided for in the Group's interim financial report were as follows:

	At 30 September 2013 **$'000**	At 31 March 2013 $'000
Authorised and contracted for	**4,468**	813
Authorised but not contracted for	**19,373**	19,843
	23,841	20,656

Included in capital commitments outstanding at 30 September 2013 was an amount of $10,555,000 (31 March 2013: $14,678,000) for the future development of the central food processing plant.

18 Contingent liabilities

At 30 September 2013, guarantees were 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 outstanding amount of the facilities utilised by all the subsidiaries that are covered by the guarantees, being $79,477,000 (31 March 2013: $76,480,000).

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.

19 Fair value measurement of financial instruments

(a) Financial liabilities measured at fair value

(i) Fair value hierarchy

	At 30 September 2013			
	Quoted prices in active market for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Liabilities				
Derivative financial instruments	–	**399**	–	**399**

	At 31 March 2013			
	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	$'000	*$'000*	*$'000*	*$'000*
Liabilities				
Derivative financial instruments	–	602	–	602

During the six months ended 30 September 2013, there were no significant transfers between financial instruments in Level 1, Level 2 and Level 3.

19 Fair value measurement of financial instruments *(continued)*

(a) Financial liabilities measured at fair value (continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of derivative financial instruments is determined by discounting the future cash flows of the contracts at the current market interest rates. The Group uses the interest rate curve of Hong Kong Interbank Offered Rate as of 30 September 2013 plus an adequate constant credit spread to discount derivative financial instruments.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2013 and 30 September 2013.

20 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 2013:

(a) Remuneration for key management personnel of the Group for the six months ended 30 September 2013 is as follows:

	Six months ended 30 September	
	2013	2012
	$'000	*$'000*
Salaries and other short-term employee benefits	**7,697**	7,437
Contribution to defined contribution retirement plans	**23**	18
	7,720	7,455

20 Material related party transactions *(continued)*

(b) During the period, a subsidiary of the Company leased a property from New Champion International Limited ("New Champion"). New Champion is a company wholly beneficially owned by Mr Dennis Lo Hoi Yeung and his family members. In addition, Mr Dennis Lo Hoi Yeung is a director of New Champion. Rental expenses incurred during the period amounted to $840,000 (six months ended 30 September 2012: $834,000).

(c) During the period, a subsidiary of the Company leased a property from Hibony Limited ("Hibony"). Hibony is a company beneficially owned by Pengto International Limited (a company beneficially owned by a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object). In addition, Mr Dennis Lo Hoi Yeung is a director of Hibony. Rental expenses incurred during the period amounted to $1,247,000 (six months ended 30 September 2012: $1,247,000).

(d) During the period, a subsidiary of the Company produced certain processed food products to Sun Generation Limited ("Sun Generation"). Sun Generation is owned as to 65% by Mr Henry Lo Hoi Nai, 20% by the wife of Mr Henry Lo Hoi Nai and 15% by an independent third party. As Mr Henry Lo Hoi Nai is the brother of Mr Dennis Lo Hoi Yeung (a director of the Company), Sun Generation is a connected person of the Company. Processed food products fee incurred during the period amounted to $1,122,000 (six months ended 30 September 2012: $Nil), which was determined by a cost-plus pricing method.

21 Comparative figures

Net foreign exchange loss of $370,000 for the period ended 30 September 2012 has been re-classified from administrative expenses to other net income to conform to current period's presentation.

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 2013 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 2013 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

28 November 2013

Management Discussion and Analysis

Overall performance

For the six months ended 30 September 2013, the Group achieved an increase in turnover of 4.1% to HK$1,013.0 million, up from HK$972.8 million recorded for the last corresponding period. Gross profit margin dropped by 0.5% to 14.0%. Profit for the period attributable to equity shareholders of the Company was HK$67.2 million, an increase of 4.9% from HK$64.0 million reported for the same period last year. Basic earnings per share were HK53.48 cents (six months ended 30 September 2012: HK51.15 cents).

Business review

Hong Kong

During the review period, Fairwood recorded a stable growth and embarked successfully on a brand uplift. A series of innovative marketing initiatives were introduced including a new thematic advertising campaign and the use of new social media for customers to share their thoughts via Fairwood's Facebook and WeChat pages. These initiatives have not only brought an added sense of excitement to the Fairwood brand, but have also reinforced the corporate mission: "Enjoy Great Food, Live a Great Life".

Product innovation was important in contributing to the Group's sales growth in Hong Kong. Fairwood's signature dishes such as Ah Wood Curry and Baked Pork Chop with Rice have been further enhanced. Moreover, the Group's successful "Green Light Zone" and "No MSG" series, designed to address the rising health consciousness of customers, continued to enjoy an overwhelmingly positive response. In order to keep abreast of the latest dining trends, various innovative products including Risotto and Thick-Cut Black Pork Cutlet were also introduced. All in all, efforts dedicated to marketing and product innovation have strengthened the loyalty of existing customers while attracting new ones, leading to an increased average spending and healthy sales performance.

The business environment in Hong Kong remained challenging during the review period, with continuously rising cost in food, rental and labour. Nevertheless, the Group has managed to maintain its profit margin, thus proving the effectiveness of its strategic business model. The enhanced SAP Enterprise Resources Planning ("ERP") System which has been adopted for a few years has enabled management to gather timely and useful information for improving productivity and cost control. Further investments on the Central Food Processing Plant during the period enabled the Group to bespeak products to enhance food quality consistency, uphold standard as well as to minimise wastage. Both the SAP ERP System and Central Food Processing Plant are being constantly upgraded to further streamline business operations and enhance profitability.

Adhering to Fairwood's core value of being "people-oriented", the Group has continuously focused on talent management while cultivating a culture of care among existing employees. Over the years, various training programmes have been offered to equip Fairwood's management team with the knowledge and skills for their professional and personal development. In addition, different staff-engagement activities have been arranged to foster a harmonious atmosphere within the organisation. Happy staff will bring joy to all customers.

Mainland China

Business in Mainland China has been stagnant and consumer spending sentiment was also adversely affected during the review period. A prudent approach has been adopted, including carefully gauging consumer behaviour and dining habits. The management has reassessed the location of certain stores and consolidated the Group's operations within the country. To seek improvement, the Group will continue to dedicate efforts to replicating the successful business model in Hong Kong for the Mainland market.

Network

During the review period, the Group opened two new fast food stores in Hong Kong bringing the total number of stores to 139. As at 30 September 2013, the Group had a total of 114 stores in operation in Hong Kong, including 103 fast food stores, 5 Kenting Tea Houses, 3 Buddies Cafés and 3 other specialty restaurants. In Mainland China, the Group operated 25 fast food stores as at the end of the reporting period.

Prospect

Moving forward, the management believes that the Hong Kong and Mainland China market environments remain challenging. In order to improve the performance of the Group and deliver the best returns to shareholders, the management will continue to closely monitor the market situation and enhance all areas of operation – from marketing and product innovation, to streamlining processes and achieving greater cost effectiveness. After the recent roll out of the SAP ERP System in Mainland China, the Group is planning to establish a new Central Food Processing Plant in Southern China, which is expected to act as a strategic support facility to boost the Mainland China business. This new plant will help to expand the Group's product offerings, standardise food quality, lower operating costs and perform as a solid foundation for future expansion.

Fairwood advocates community harmony and has always devoted to upholding corporate social responsibility. The "Fairwood $4 Meal" campaign, following its great success last year, will also be offered this year to benefit the underprivileged. Fairwood also participated in the "Pink Desserts" charity campaign organised by the Hong Kong Hereditary Breast Cancer Family Registry – aiming to raise public awareness of social issues related to breast cancer in Hong Kong. Upholding Fairwood's corporate mission: "Enjoy Great Food, Live a Great Life," the Group will continue to initiate and participate in different activities to contribute to the betterment of the wider community.

Financial Review

Liquidity and financial resources

At 30 September 2013, total assets of the Group amounted to HK$951.1 million (31 March 2013: HK$862.0 million). The Group's working capital was HK$108.6 million (31 March 2013: HK$105.1 million), represented by total current assets of HK$477.4 million (31 March 2013: HK$378.6 million) against total current liabilities of HK$368.8 million (31 March 2013: HK$273.5 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (31 March 2013: 1.4). Total equity was HK$525.1 million (31 March 2013: HK$519.7 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2013, the Group had bank deposits and cash amounting to HK$382.3 million (31 March 2013: HK$291.0 million), representing an increase of 31.4% from 31 March 2013. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 30 September 2013, the Group had total bank loans of HK$23.5 million (31 March 2013: HK$26.0 million) denominated in Hong Kong dollars. 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$321.0 million (31 March 2013: HK$315.8 million). The gearing ratio of the Group was 4.5% (31 March 2013: 5.0%), which was calculated based on the total bank loans over total equity.

Profitability

Annualized return on average equity was 25.7% (year ended 31 March 2013: 24.5%), being profit for the period attributable to equity shareholders of the Company excluding the net gain on disposal of properties 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 into 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 3 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$48.0 million (31 March 2013: HK$47.0 million).

Commitments

The Group's capital commitments outstanding at 30 September 2013 was HK$23.8 million (31 March 2013: HK$20.7 million). Included in capital commitments outstanding at 30 September 2013 was an amount of HK$10.6 million (31 March 2013: HK$14.7 million) for the future development of the central food processing plant.

Contingent liabilities

At 30 September 2013, guarantees were 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 outstanding amount of the facilities utilised by all the subsidiaries that are covered by the guarantees, being HK$79.5 million (31 March 2013: HK$76.5 million).

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

Employee information

At 30 September 2013, the total number of employees of the Group was approximately 4,600 (31 March 2013: 4,400). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

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

Other Information

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

As at 30 September 2013, 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 options		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	44.25%
Chan Chee Shing	15,000	–	–	–	1,000,000	1,015,000	0.81%
Mak Yee Mei	840,000	–	–	–	160,000	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 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 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 2013, 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 set out in the section "Share option scheme" below.

Share option scheme

On 7 September 2011, the Company terminated its 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.

(a) 2002 Option Scheme

As at 30 September 2013, 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 2013	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 2013	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)*	240,000	–	1 March 2010	Exercisable in five tranches of 20% during the period from 1 January 2011 to 31 December 2016	–	(80,000)	160,000	8.08	8.07	16.52
Employees	1,102,000	–	8 April 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	(6,000)	(472,000)	624,000	6.26	6.28	16.61
Employee	60,000	–	16 February 2011	Exercisable in five tranches of 20% during the period from 16 February 2012 to 15 February 2017	–	–	60,000	10.90	10.92	–
Employee	640,000	–	28 April 2011	Exercisable in five tranches of 20% during the period from 28 April 2012 to 27 May 2019	(480,000)	(160,000)	–	10.91	10.84	17.38
Employee	640,000	–	9 May 2011	Exercisable in five tranches of 20% during the period from 9 May 2012 to 8 May 2019	–	(160,000)	480,000	10.88	10.82	17.38

(b) 2011 Option Scheme

As at 30 September 2013, the employee of the Company had the following interests in options to subscribe for shares of the Company pursuant to the 2011 Option Scheme:

	Number of options outstanding at 1 April 2013	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 2013	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	–	100,000	25 April 2013	Exercisable in five tranches of 20% during the period from 25 April 2014 to 24 April 2021	(100,000)	–	–	16.54	16.58	–

Apart from the foregoing, at no time during the six months ended 30 September 2013 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 2013, 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	38.86%
(ii)	CFJ *(Note 2)*	6,660,000	5.31%
(iii)	Winning Spirit International Corporation *(Note 1)*	48,775,384	38.86%
(iv)	HSBC International Trustee Limited *(Note 1)*	48,775,384	38.86%
(v)	HSBC Trustee (Cook Islands) Limited *(Note 2)*	6,660,000	5.31%
(vi)	Allard Partners Limited	10,025,100	7.99%

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 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 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 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 2013.

Dividend

The Board declared an interim dividend of HK23.0 cents (2012: HK23.0 cents) per share for the six months ended 30 September 2013 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 17 December 2013. The declared dividend represents a distribution of approximately 43% of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Monday, 30 December 2013.

Closure of register of members

The Register of Members of the Company will be closed from Friday, 13 December 2013 to Tuesday, 17 December 2013 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 12 December 2013 for registration.

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

During the six months ended 30 September 2013, 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*
June 2013	250,000	16.00	15.64	3,984
July 2013	276,500	16.14	16.12	4,462
August 2013	13,000	16.12	16.12	210
	539,500			8,656

The above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of HK$8,116,000 and HK$25,000 respectively were charged to the Group's share premium account.

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 2013, save and except for the deviations as explained below:

(a) *Code Provision A.4.2*

Code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; however, the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-laws of the Company. The Board considers that the exemption of both the Chairman and/or 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; and

(b) *Code Provision A.5.6*

Code provision A.5.6 of the CG Code stipulates that the nomination committee should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report with effect from 1 September 2013. The Nomination Committee of the Company has taken note of and discussed such code provision in its meeting held on 19 June 2013 and concluded to revisit this issue at the next meeting in order to have more time to formulate the board diversity policy.

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 2013.

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 2013.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 28 November 2013