大快活
Fairwood

FAIRWOOD HOLDINGS LIMITED

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

Interim Report
2011-2012

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

COMPANY SECRETARY

Mak Yee Mei

AUDITORS

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
Nanyang Commercial 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 2011 together with the comparative figures for the period ended 30 September 2010. 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 2011 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2011	2010
	Note	***$'000***	*$'000*
Turnover	*4*	**909,971**	811,121
Cost of sales		**(785,195)**	(689,520)
Gross profit		**124,776**	121,601
Other revenue	*5*	**1,227**	530
Other net income	*5*	**2,192**	16,149
Selling expenses		**(15,507)**	(15,269)
Administrative expenses		**(44,113)**	(40,276)
Valuation gains on investment properties	*10(a)*	**1,795**	3,111
Net impairment losses on fixed assets	*10(b)*	**(502)**	(3,713)
Profit from operations		**69,868**	82,133
Finance costs	*6(a)*	**(1,157)**	(1,570)
Profit before taxation	*6*	**68,711**	80,563
Income tax	*7*	**(10,485)**	(9,853)
Profit for the period attributable to equity shareholders of the Company		**58,226**	70,710
Earnings per share			
Basic	*9(a)*	**46.52 cents**	56.25 cents
Diluted	*9(b)*	**45.91 cents**	55.86 cents

The notes on pages 11 to 26 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2011	2010
	$'000	*$'000*
Profit for the period attributable to equity shareholders of the Company	**58,226**	70,710
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	**1,976**	858
Total comprehensive income for the period attributable to equity shareholders of the Company	**60,202**	71,568

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

Consolidated Statement of Financial Position

At 30 September 2011 – unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2011 $'000**	At 31 March 2011 $'000
Non-current assets			
Fixed assets	*10*		
– Investment properties		**44,162**	42,367
– Other property, plant and equipment		**364,401**	349,997
– Interests in leasehold land held for own use under operating leases		**7,569**	7,675
		416,132	400,039
Goodwill		**1,001**	1,001
Rental deposits paid		**46,104**	42,245
Other financial asset	*11*	**2,337**	2,334
Deferred tax assets		**–**	663
		465,574	446,282
Current assets			
Inventories		**38,837**	33,087
Trade and other receivables	*12*	**48,177**	47,785
Current tax recoverable		**60**	47
Bank deposits and cash	*13*	**267,403**	253,710
		354,477	334,629
Current liabilities			
Trade and other payables	*14*	**256,487**	219,560
Bank loans		**8,064**	10,908
Current tax payable		**20,266**	14,325
Provisions for long service payments and reinstatement costs		**5,846**	5,790
		290,663	250,583
Net current assets		**63,814**	84,046

Consolidated Statement of Financial Position

At 30 September 2011 – unaudited *(Continued)*

(Expressed in Hong Kong dollars)

	Note	At 30 September 2011 $'000	At 31 March 2011 $'000
Total assets less current liabilities		**529,388**	530,328
Non-current liabilities			
Bank loans		**28,513**	31,018
Deferred tax liabilities		**9,474**	8,507
Rental deposits received		**1,019**	479
Provisions for long service payments and reinstatement costs		**26,335**	22,597
		65,341	62,601
NET ASSETS		**464,047**	467,727
CAPITAL AND RESERVES	*16*		
Share capital		**124,983**	125,414
Reserves		**339,064**	342,313
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**464,047**	467,727

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

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011 – 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 2010		125,687	450	4,439	(3,497)	241	285,270	412,590
Profit for the period		–	–	–	–	–	70,710	70,710
Other comprehensive income for the period		–	–	–	858	–	–	858
Total comprehensive income for the period		–	–	–	858	–	70,710	71,568
Shares issued under share option scheme	*15*	363	1,924	–	–	–	–	2,287
Issue expenses		–	(24)	–	–	–	–	(24)
Dividends approved in respect of the previous year	*8(b)*	–	–	–	–	–	(35,203)	(35,203)
Equity-settled share-based transactions		–	186	606	–	–	–	792
Repurchase of own shares	*16*							
– par value paid		(340)	–	–	–	–	–	(340)
– premium and transaction costs paid		–	(2,340)	–	–	–	–	(2,340)
		23	(254)	606	858	–	35,507	36,740
At 30 September 2010 (unaudited)		125,710	196	5,045	(2,639)	241	320,777	449,330

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011 – 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 2010		125,710	196	5,045	(2,639)	241	320,777	449,330
Profit for the period		–	–	–	–	–	53,132	53,132
Other comprehensive income for the period		–	–	–	3,658	–	–	3,658
Total comprehensive income for the period		–	–	–	3,658	–	53,132	56,790
Shares issued under share option scheme	*15*	142	747	–	–	–	–	889
Issue expenses		–	(20)	–	–	–	–	(20)
Dividends approved in respect of the previous year	*8(a)*	–	–	–	–	–	(35,196)	(35,196)
Equity-settled share-based transactions		–	424	284	–	–	–	708
Repurchase of own shares	*16*							
– par value paid		(438)	–	–	–	–	–	(438)
– premium and transaction costs paid		–	(1,347)	–	–	–	(2,989)	(4,336)
		(296)	(196)	284	3,658	–	14,947	18,397
At 31 March 2011 (audited)		125,414	–	5,329	1,019	241	335,724	467,727

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011 – 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 2011		125,414	–	5,329	1,019	241	335,724	467,727
Profit for the period		–	–	–	–	–	58,226	58,226
Other comprehensive income for the period		–	–	–	1,976	–	–	1,976
Total comprehensive income for the period		–	–	–	1,976	–	58,226	60,202
Shares issued under share option scheme	*15*	1,035	5,739	–	–	–	–	6,774
Issue expenses		–	(40)	–	–	–	–	(40)
Dividends approved in respect of the previous year	*8(b)*	–	–	–	–	–	(55,326)	(55,326)
Equity-settled share-based transactions		–	1,069	(286)	–	–	–	783
Repurchase of own shares	*16*							
– par value paid		(1,466)	–	–	–	–	–	(1,466)
– premium and transaction costs paid		–	(6,768)	–	–	–	(7,839)	(14,607)
		(431)	–	(286)	1,976	–	(4,939)	(3,680)
At 30 September 2011 (unaudited)		**124,983**	**-**	**5,043**	**2,995**	**241**	**330,785**	**464,047**

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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2011 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2011	2010
	Note	***$'000***	*$'000*
Cash generated from operations		**125,579**	86,224
Tax paid		**(2,889)**	(3,241)
Net cash generated from operating activities		**122,690**	82,983
Net cash used in investing activities		**(38,785)**	(3,105)
Net cash used in financing activities		**(67,496)**	(36,741)
Increase in cash and cash equivalents		**16,409**	43,137
Cash and cash equivalents at 1 April		**250,994**	207,492
Cash and cash equivalents at 30 September	*13*	**267,403**	250,629

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 November 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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 27 and 28. 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2011.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

– HKAS 24 (revised 2009), *Related party disclosures*

– Improvements to HKFRSs (2010)

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

These developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements and have had no material impact on the contents of this interim financial report.

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.

3 Segment reporting *(Continued)*

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

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results to 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 reporting 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 ended 30 September 2011 and 2010 is set out below.

For the six months ended 30 September

	Hong Kong restaurant		The PRC restaurant		Other segments		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**807,796**	731,297	**100,114**	76,781	**4,751**	5,452	**912,661**	813,530
Inter-segment revenue	**–**	–	**–**	–	**(2,690)**	(2,409)	**(2,690)**	(2,409)
Reportable segment revenue	**807,796**	731,297	**100,114**	76,781	**2,061**	3,043	**909,971**	811,121
Reportable segment profit	**52,739**	54,470	**12,839**	9,828	**3,338**	3,477	**68,916**	67,775

(b) *Reconciliations of reportable segment profit*

	Six months ended 30 September	
	2011	2010
	$'000	*$'000*
Profit		
Reportable segment profit before taxation	**68,916**	67,775
Gain on disposal of non-current assets held for sale	**–**	15,633
Change in fair value of other financial liabilities at fair value through profit or loss	**(295)**	(894)
Compensation payable to a landlord upon early termination of a tenancy lease	**–**	(147)
Valuation gains on investment properties	**1,795**	3,111
Net impairment losses on fixed assets	**(502)**	(3,713)
Unallocated corporate expenses	**(1,203)**	(1,202)
Consolidated profit before taxation	**68,711**	80,563

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	
	2011	2010
	$'000	*$'000*
Sale of food and beverages	**907,910**	808,078
Property rental	**2,061**	3,043
	909,971	811,121

5 Other revenue and net income

	Six months ended 30 September	
	2011	2010
	$'000	*$'000*
Other revenue		
Interest income	**1,227**	530
Other net income		
Electric and gas range incentives	**1,336**	1,126
Profit on sale of redemption gifts	**650**	724
Net loss on disposal of fixed assets from normal activities	**(246)**	(1,690)
Gain on disposal of non-current assets held for sale	**–**	15,633
Compensation payable to a landlord upon early termination of a tenancy lease	**–**	(147)
Others	**452**	503
	2,192	16,149

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September 2011	2010
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**862**	676
Change in fair value of other financial liabilities at fair value through profit or loss	**295**	894
	1,157	1,570
(b) Other items		
Cost of inventories *(Note)*	**257,677**	227,821
Depreciation of fixed assets	**31,990**	30,518
Amortisation of interests in leasehold land held for own use under operating leases	**106**	106

Note: The cost of inventories represents food costs.

7 Income tax

	Six months ended 30 September	
	2011	2010
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax	**7,771**	10,947
PRC taxation	**1,062**	(124)
	8,833	10,823
Deferred tax		
Origination and reversal of temporary differences	**1,652**	(970)
	10,485	9,853

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the six months ended 30 September 2011. PRC taxation represents PRC foreign enterprise 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	
	2011	2010
	$'000	*$'000*
Interim dividend declared and payable after the interim period of 22.0 cents (2010: 20.0 cents) per share	**27,496**	25,140
Special interim dividend declared and payable after the interim period of nil (2010: 8.0 cents) per share	**–**	10,056
	27,496	35,196

The interim and special dividends have 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 paid during the interim period

	Six months ended 30 September	
	2011	2010
	$'000	*$'000*
Final dividend in respect of the previous financial year ended 31 March 2011, approved and paid during the following interim period, of 32.0 cents (year ended 31 March 2010: 28.0 cents) per share	**40,237**	35,203
Special final dividend in respect of the previous financial year ended 31 March 2011, approved and paid during the following interim period, of 12.0 cents (year ended 31 March 2010: nil) per share	**15,089**	–
	55,326	35,203

In respect of the final dividend and special final dividend for the year ended 31 March 2011, there is a difference of $144,000 between final dividend and special final dividend disclosed in the 2011 annual financial statements and amounts approved and paid 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 period ended 30 September 2011 is based on the profit attributable to ordinary equity shareholders of the Company of $58,226,000 (2010: $70,710,000) and the weighted average of 125,169,000 ordinary shares (2010: 125,697,000 ordinary shares) in issue during the period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the period ended 30 September 2011 is based on the profit attributable to ordinary equity shareholders of the Company of $58,226,000 (2010: $70,710,000) and the weighted average of 126,831,000 ordinary shares (2010: 126,588,000 ordinary shares), calculated as follows:

	Six months ended 30 September	
	2011	2010
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,169**	125,697
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,662**	891
Weighted average number of ordinary shares used in calculating diluted earnings per share	**126,831**	126,588

10 Fixed assets

(a) All investment properties of the Group were revalued as at 30 September 2011 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 gain of $1,795,000 (six months ended 30 September 2010: a gain of $3,111,000) has been credited to the consolidated income statement.

(b) During the six months ended 30 September 2011, 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 $1,454,000 (six months ended 30 September 2010: $3,713,000). 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 wrote back impairment losses of $952,000 (six months ended 30 September 2010: nil) during the six months ended 30 September 2011. As a result, the net impairment losses on fixed assets of $502,000 (six months ended 30 September 2010: $3,713,000) were recognised during the six months ended 30 September 2011. 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 2010: 10%).

(c) During the six months ended 30 September 2011, the Group acquired items of fixed assets with a cost of $45,272,000 (six months ended 30 September 2010: $31,506,000). Items of fixed assets with a net book value of $246,000 were disposed of during the six months ended 30 September 2011 (six months ended 30 September 2010: $1,904,000).

(d) At 30 September 2011, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to $48,792,000 (31 March 2011: $48,259,000).

11 Other financial asset

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

12 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 2011 *$'000*	At 31 March 2011 *$'000*
1 to 30 days	**2,240**	3,104
31 to 90 days	**2**	169
91 to 180 days	**2**	21
181 to 365 days	**–**	1
	2,244	3,295

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.

13 Bank deposits and cash

	At 30 September 2011 **_$'000_**	At 31 March 2011 _$'000_
Deposits with banks	**175,092**	158,203
Cash at bank and in hand	**92,311**	92,791
Cash and cash equivalents in the condensed consolidated cash flow statement	**267,403**	250,994
Pledged bank deposits	**–**	2,716
	267,403	253,710

As at 31 March 2011, bank deposits of $2,716,000 were pledged to a bank to secure a loan of $309,000 borrowed by an independent third party food processing contractor. During the period ended 30 September 2011, the loan was fully settled and the pledge of the bank deposits of the Group has been released.

14 Trade and other payables

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

	At 30 September 2011	At 31 March 2011
	$'000	*$'000*
1 to 30 days	**84,373**	66,804
31 to 90 days	**4,230**	992
91 to 180 days	**1,113**	1,100
181 to 365 days	**140**	53
Over one year	**1,124**	961
	90,980	69,910

15 Equity-settled share-based transactions

During the period, share options were exercised to subscribe for 1,035,000 (six months ended 30 September 2010: 363,000) ordinary shares of the Company at a consideration of $6,774,000 (six months ended 30 September 2010: $2,287,000), of which $1,035,000 (six months ended 30 September 2010: $363,000) was credited to share capital and the balance of $5,739,000 (six months ended 30 September 2010: $1,924,000) was credited to the share premium account. $1,069,000 (six months ended 30 September 2010: $186,000) has been transferred from the capital reserve to the share premium account upon the exercise of respective share options during the period.

16 Capital and reserves

During the six months ended 30 September 2011, the Company repurchased its own shares on the Stock Exchange as follows:

(i) Shares repurchased and cancelled

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		$	*$*	*$'000*
April 2011	298,000	10.98	10.84	3,257
May 2011	411,000	10.86	10.64	4,408
August 2011	431,500	11.50	11.02	4,855
September 2011	325,500	11.02	10.20	3,503
	1,466,000			16,023

The above repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium and transaction costs paid on the repurchase of the shares of $14,557,000 and $50,000 respectively were charged to the Group's reserves.

(ii) Shares repurchased but not yet cancelled

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		$	*$*	*$'000*
September 2011	69,500	9.55	9.30	656

The above repurchased shares have been repurchased by the Company but the share cancellation has not yet been completed as at 30 September 2011. As a result, the nominal value of these shares was not deducted from the issued share capital of the Company. The total consideration paid for these repurchased shares were included in "trade and other receivables".

17 Capital commitments

Capital commitments outstanding at 30 September 2011 not provided for in the Group's interim financial report were as follows:

	At 30 September 2011	At 31 March 2011
	$'000	*$'000*
Authorised and contracted for	**3,541**	8,563
Authorised but not contracted for	**30,251**	32,834
	33,792	41,397

Included in capital commitments outstanding at 30 September 2011 was an amount of $20,533,000 (31 March 2011: $23,662,000) for the future development of the central food processing plant to cope with the Group's long term business growth.

18 Contingent liabilities

At 30 September 2011, 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 $78,849,000 (31 March 2011: $84,006,000).

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 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 period ended 30 September 2011:

(a) Remuneration for key management personnel of the Group for the six months ended 30 September 2011 is as follows:

	Six months ended 30 September	
	2011	2010
	$'000	*$'000*
Salaries and other short-term employee benefits	**7,069**	6,779
Contribution to defined contribution retirement plans	**18**	18
	7,087	6,797

(b) During the period, a subsidiary of the Company leased a property from New Champion International Limited ("New Champion"). New Champion is an associate of Mr Dennis Lo Hoi Yeung (a director of the Company and New Champion). Rental expenses incurred during the period amounted to $720,000 (six months ended 30 September 2010: $720,000).

(c) During the period, a subsidiary of the Company leased a property from Front Land Properties Limited ("Front Land"). The ultimate beneficial owners of Front Land are Mr Lo Hoi Chun, who is a cousin of Mr Dennis Lo Hoi Yeung, and his associate. Rental expenses incurred during the period amounted to $56,000 (six months ended 30 September 2010: $360,000).

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 26 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2011 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 2011 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

29 November 2011

Management Discussion and Analysis

Overall performance

For the six months ended 30 September 2011, the Group achieved an increase in turnover of 12.2% to HK$910.0 million, up from HK$811.1 million recorded in the last corresponding period. Gross profit margin reduced by 1.3% to 13.7%. Profit attributable to equity shareholders of the Company was HK$58.2 million, representing a decrease of 17.7% from HK$70.7 million reported for the same period last year. If excluding the gain on disposal of non-current assets held for sale, the profit for the period increased by 5.7% from last year's HK$55.1 million. Basic earnings per share were HK46.52 cents (six months ended 30 September 2010: HK56.25 cents).

Business review

Hong Kong

Despite a challenging business environment during the review period, the Group managed to deliver revenue growth supported by steady improvement in same store sales as well as prudent network expansion. Even though the gross margin was burdened by inflation that gave rise to a surge in rental, food and labor costs (particularly compounded by the implementation of statutory minimum wage), the profit for the period achieved 5.7% growth if excluding the gain on disposal of non-current assets held for sale of HK$15.6 million recorded in comparable period. The financial results were attributable to effective marketing strategies, as well as greater cost control backed by higher efficiency from the central food processing plant, streamlined workflow and enhanced internal systems.

Creative marketing strategies and brand differentiation allowed the Group to stand out from its peers. By way of thorough research on the needs and wants of the general public, the Group continued to attract customers from all walks of life. For instance, the introduction of the "No-MSG" menu is a perfect example of how the Group attended to the more health-conscious segment of society. Continuous improvement of the Group's signature products such as the Ah Wood Curry Series and development of innovative menus such as using premium Italian tomatoes for western dishes and the introduction of ox tongue dishes for the first time in fast food history, are amongst some of the Group's latest strategies in driving further brand differentiation. All of these have enabled the Group to draw in more customers and further increase average spending.

To counteract rising food costs, the Group is constantly dedicated to developing original dishes that allow for pricing flexibility. Collectively, the innovative yet friendly menus provided customers with a combination of food variety and price variance. The Group also broadened its range of suppliers as well as investigated introducing ingredients from different regions. By sourcing globally and directly importing from countries of origin, the Group was able to contain food costs at a manageable level.

Another key strategy for controlling food cost has been the establishment of the central food processing plant in the Tai Po Industrial Estate. While enhancing overall efficiency and quality consistency, the plant helped better utilize internal resources by streamlining operations, thus maximizing its economies of scale, and lead to a higher profitability in the long term.

With regards to labor cost, the Group sought to control this expense by effectively allocating manpower, and by introducing the "flexible scheduling" and "community recruitment campaign". The programs deliver mutual benefits, allowing part-time workers such as housewives to find employment while the Group is able to gain a reliable source of manpower. Since a proportion of workers must juggle raising a family, flexible scheduling enables them to do so while earning supplemental income. The use of the SAP Enterprise Resources Planning (ERP) system has also aided the Group to combat labor cost. Owing to the effective use of system, the Group flexibly controls and manages manpower allocation at each store, thus raising efficiency.

Unrelentingly high rental costs in recent years have affected many business operators in Hong Kong. In order to minimize its impact, the Group leveraged its strong relations with landlords and was able to secure favorable rates for existing stores. As for the opening of new stores, the Group focused on developing locations where rent is more reasonable. Stores in shopping malls or on upper floors of a building are also preferred to reduce the overall rental level.

Aside from the satisfactory performance of the fast food outlets, the Group's specialty restaurants, comprising "Kenting Tea House" and "Buddies Café", also realized positive results. Since the restaurants are catered for the young and affluent consumers, they are able to demand relatively higher spending. Specialty restaurants are expected to further expand the Group's overall market share.

Mainland China

The Group's Mainland China operations once again achieved solid sales growth, up 30.4% year-on-year. This helped consolidate the success of the Group's efforts in bringing international tastes to the local market, through introducing cuisines from around the world in a way that appeals to local tastes and preferences. The strategy of locating outlets near metro stations and shopping malls also proved successful, capturing the large flow of people that travel to and from such locations. The Group will further direct resources and energies toward developing the Mainland China business.

Network

During the review period, the Group opened five new fast food stores, including four in Hong Kong and one in Mainland China. As at 30 September 2011, the Group had a total of 107 stores in operation in Hong Kong, including 100 fast food stores and 7 specialty restaurants. In Mainland China, the Group operated 17 fast food stores as at the end of the reporting period.

Corporate social responsibility

'People' has always been a key element of Fairwood's success, while caring for the need of customers and staff has been one of the Group's major foci when formulating corporate strategies. The management has always been trying to extend such messages from within the Group through to the community. During the review period, the Group has been progressively installing barrier-free facilities in stores and offering attentive service for the needy such as meal order and meal serving assistance. In recognition of such heartfelt efforts to address the special needs of the disabled and elderly, the Group was presented with the '2011 Hong Kong Awards for Industries: Customer Service Grand Award' by the Hong Kong Trade and Industry Department in July 2011. In addition to this achievement, the Group also organized community events, including Fairwood Happy Day and Charity 'Poon Choi' Feast to enhance contact and communication among people of different backgrounds and cultures, striving to promote mutual respect and understanding. The Group will continue to uphold its commitment to building a better society and fulfilling its obligation as a responsible corporate citizen.

Prospect

The operating environment in Hong Kong is deemed to be challenging in the foreseeable future. While the Group plans to expand its network in Hong Kong, targeting to reach 103 fast food stores by the end of financial year 2011/12, it will primarily focus on driving same store sales growth by delivering appealing menus supported by dynamic marketing campaigns. Through effective branding and product strategies, stringent cost control and management excellence, the Group is optimistic about its ability to sustain growth.

Gauging the current economic trend in Mainland China, the management will continue with its cautious approach targeting 40 stores in operation by the end of financial year 2013/14. Store count is set to increase by 5 to reach 22 by the end of the financial year 2011/12.

Management is well aware that strong fundamentals are essential for success. While dedicating efforts to managing cost, the Group will maintain its commitment to quality and innovation, thus setting the foundation for long-term growth.

Financial review

Liquidity and financial resources

At 30 September 2011, total assets of the Group enhanced to HK$820.1 million (31 March 2011: HK$780.9 million). The Group's working capital was HK$63.8 million (31 March 2011: HK$84.0 million), represented by total current assets of HK$354.5 million (31 March 2011: HK$334.6 million) against total current liabilities of HK$290.7 million (31 March 2011: HK$250.6 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.2 (31 March 2011: 1.3). Total equity attributable to equity shareholders of the Company was HK$464.0 million (31 March 2011: HK$467.7 million).

Annualized return on average equity was 25.0% (year ended 31 March 2011: 24.6%), being profits for the period attributable to equity shareholders of the Company excluding a gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the reporting period and then multiplying by two.

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2011, the Group had bank deposits and cash amounting to HK$267.4 million (31 March 2011: HK$253.7 million), representing an increase of 5.4% from 31 March 2011. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi. The unutilised banking facilities were HK$264.7 million (31 March 2011: HK$270.6 million).

At 30 September 2011, the Group had total bank loans of HK$36.6 million (31 March 2011: HK$41.9 million) which was denominated in Hong Kong dollars and Renminbi. All of the Group's bank borrowings were subject to the floating rate basis. The maturities of borrowings are up to 2019 with approximately 22.0% repayable within 1 year, 65.2% repayable over 1 year but less than 5 years and 12.8% repayable after 5 years. The gearing ratio of the Group was 7.9% (31 March 2011: 9.0%), which was calculated based on the total bank loans over total equity attributable to equity shareholders of the Company.

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 structured note and 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. 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 5 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 amounting to HK$48.8 million (31 March 2011: HK$48.3 million).

Commitments

The Group's capital commitments outstanding at 30 September 2011 were HK$33.8 million (31 March 2011: HK$41.4 million). Included in capital commitments outstanding at 30 September 2011 was an amount of HK$20.5 million (31 March 2011: HK$23.7 million) for the future development of the central food processing plant at Tai Po to cope with the Group's long term business growth. In addition, the Group had outstanding other commitments of HK$7.7 million at 30 September 2011 (31 March 2011: HK$8.6 million) in respect of the contracting fee for operation of a fast food restaurant.

Contingent liabilities

At 30 September 2011, 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$78.8 million (31 March 2011: HK$84.0 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 2011, the total number of employees of the Group was approximately 4,600 (31 March 2011: 4,600). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

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

Other Information

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

As at 30 September 2011, 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	44.44%
Chan Chee Shing	15,000	–	–	–	1,000,000	1,015,000	0.81%
Mak Yee Mei	680,000	–	–	–	320,000	1,000,000	0.80%
Ng Chi Keung	119,000	–	–	–	–	119,000	0.10%

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 2011, 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

As at 30 September 2011, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company pursuant to the share option scheme of the Company:

	Number of options outstanding at 1 April 2011	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 2011	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)*	400,000	-	1 March 2010	Exercisable in five tranches of 20% during the period from 1 January 2011 to 31 December 2016	-	(80,000)	320,000	8.08	8.07	11.68
Employee	800,000	-	6 April 2009	Exercisable in five tranches of 20% during the period from 5 April 2010 to 4 April 2017	-	(320,000)	480,000	6.30	6.23	11.68
Employees	2,358,000	-	8 April 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	(30,000)	(570,000)	1,758,000	6.26	6.28	10.93
Employee	95,000	-	4 May 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	-	(15,000)	80,000	6.29	6.18	11.68

	Number of options outstanding at 1 April 2011	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 2011	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	90,000	–	10 July 2009	Exercisable in five tranches of 20% during the period from 1 July 2010 to 30 June 2016	–	(30,000)	60,000	7.69	7.30	11.46
Employee	50,000	–	17 December 2010	Exercisable in five tranches of 20% during the period from 17 December 2011 to 16 November 2018	–	–	50,000	10.96	10.60	–
Employee	100,000	–	16 February 2011	Exercisable in five tranches of 20% during the period from 16 February 2012 to 15 February 2017	–	–	100,000	10.90	10.92	–
Employee	–	800,000	28 April 2011	Exercisable in five tranches of 20% during the period from 28 April 2012 to 27 May 2019	–	–	800,000	10.91	10.84	–
Employee	–	100,000	28 April 2011	Exercisable in five tranches of 20% during the period from 1 July 2011 to 30 June 2016	–	(20,000)	80,000	10.91	10.84	11.76
Employee	–	800,000	9 May 2011	Exercisable in five tranches of 20% during the period from 9 May 2012 to 8 May 2019	–	–	800,000	10.88	10.82	–

Apart from the foregoing, at no time during the six months ended 30 September 2011 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 2011, 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	39.03%
(ii)	CFJ *(note 2)*	6,660,000	5.33%
(iii)	Winning Spirit International Corporation *(note 1)*	48,775,384	39.03%
(iv)	HSBC International Trustee Limited *(note 1)*	48,775,384	39.03%
(v)	HSBC Trustee (Cook Islands) Limited *(note 2)*	6,660,000	5.33%
(vi)	Allard Partners Limited	12,632,500	10.11%

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 a 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 2011.

Dividends

The Board declared an interim dividend of HK22.0 cents (2010: HK20.0 cents and a special dividend of HK8.0 cents) per share for the six months ended 30 September 2011 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 16 December 2011. The declared dividend represents a distribution of approximately 47% of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 23 December 2011.

Closure of register of members

The Register of Members of the Company will be closed from Wednesday, 14 December 2011 to Friday, 16 December 2011 (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 Room 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 13 December 2011 for registration.

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

During the six months ended 30 September 2011, 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 2011	298,000	10.98	10.84	3,257
May 2011	411,000	10.86	10.64	4,408
August 2011	431,500	11.50	11.02	4,855
September 2011	395,000	11.02	9.30	4,159
	1,535,500			16,679

Out of 1,535,500 shares repurchased, 1,466,000 shares were cancelled while the remaining 69,500 shares were cancelled subsequently on 31 October 2011. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium and transaction costs paid on the repurchase of the shares of HK$14,557,000 and HK$50,000 respectively were charged to the Company's and 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 Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011, save and except that the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-Laws of the Company.

Code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; however, the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-Laws of the Company. The Board considers that the exemption of both the Chairman and the Managing Director (the Chief Executive Officer) of the Company from such retirement by rotation provisions would provide the Group with strong and consistent leadership, efficiency usage of resources and enables 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 of the Company 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 2011.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. Following specific enquiry by the Company, all Directors of the Company confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 September 2011.

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

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

(a) Mr Tony Tsoi Tong Hoo, an Independent Non-executive Director of the Company, has been appointed as Executive Director of Reorient Group Limited (formerly known as "Asia TeleMedia Limited", which is listed on the main board of the Stock Exchange) with effect from 9 August 2011;

(b) Mr Peter Wan Kam To, an Independent Non-executive Director of the Company, was appointed as Independent Non-executive Director of Real Gold Mining Limited (which is listed on the main board of the Stock Exchange) on 25 July 2011 and resigned from office with effect from 19 August 2011.

Appreciation

On behalf of the shareholders, I would like to thank all employees for their hard work and commitment which is the cornerstone of our continuing success.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 29 November 2011