Interim Report

2009/2010

大快活

Fairwood

FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 52)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dennis Lo Hoi Yeung
(Executive Chairman)
Chan Chee Shing
(Chief Executive Officer)
Ng Chi Keung

Independent Non-executive Directors

Joseph Chan Kai Nin
Peter Lau Kwok Kuen
Tony Tsoi Tong Hoo
Peter Wan Kam To
(Appointed on 1 September 2009)
Herald Lau Ling Fai
(Retired on 27 August 2009)

AUDIT COMMITTEE

Peter Wan Kam To *(Chairman)*
(Appointed on 1 September 2009)
Joseph Chan Kai Nin
Tony Tsoi Tong Hoo
Herald Lau Ling Fai
(Ceased to be the Chairman and a member on 27 August 2009)

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

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

COMPANY SECRETARY

Ng Chi Keung

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
Industrial and Commercial Bank of China (Asia) Limited
Fubon Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Bank of Communications Company, Limited
UBS AG

AUDITORS

KPMG

SOLICITORS

JSM
Richards Butler

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street, Hamilton HM11,
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17/F, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PUBLIC RELATIONS CONSULTANT

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

WEBSITE

http://www.fairwood.com.hk

STOCK CODE

00052

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 2009 together with the comparative figures for the period ended 30 September 2008. 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 2009 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2009	2008
	Note	***$'000***	*$'000*
Turnover	*3*	**777,193**	739,498
Cost of sales		**(666,316)**	(637,642)
Gross profit		**110,877**	101,856
Other revenue	*4*	**509**	1,614
Other net income	*4*	**2,950**	6,195
Selling expenses		**(13,703)**	(11,886)
Administrative expenses		**(41,661)**	(36,357)
Impairment losses on fixed assets	*9(b)*	**(3,842)**	–
Valuation gains/(losses) on investment properties	*9(a)*	**2,812**	(1,030)
Profit from operations		**57,942**	60,392
Finance costs	*5(a)*	**(552)**	(4,989)
Profit before taxation	*5*	**57,390**	55,403
Income tax	*6*	**(8,095)**	(8,985)
Profit for the period attributable to equity shareholders of the Company		**49,295**	46,418
Earnings per share			
Basic	*8(a)*	**39.23 cents**	36.75 cents
Diluted	*8(b)*	**39.22 cents**	36.68 cents

The notes on pages 10 to 23 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2009	2008
	$'000	*$'000*
Profit for the period attributable to equity shareholders of the Company	**49,295**	46,418
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	**226**	1,043
Revaluation gain recognised upon transfer from property held for own use to investment property	**–**	241
Total comprehensive income for the period attributable to equity shareholders of the Company	**49,521**	47,702

The notes on pages 10 to 23 form part of this interim financial report.

Consolidated Balance Sheet

At 30 September 2009 — unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2009 $'000	At 31 March 2009 $'000
Non-current assets			
Fixed assets	9		
– Investment properties		**43,947**	41,135
– Other property, plant and equipment		**343,700**	266,463
– Interests in leasehold land held for own use under operating leases		**7,992**	–
		395,639	307,598
Prepayment for fixed assets		**37**	3,683
Goodwill		**1,001**	1,001
Rental deposits paid		**42,698**	38,742
Other financial assets	10	**2,341**	2,341
Deferred tax assets		**35**	35
		441,751	353,400
Current assets			
Inventories		**27,436**	29,232
Trade and other receivables	11	**38,953**	36,359
Current tax recoverable		**22**	2,239
Bank deposits and cash	12	**192,508**	181,098
		258,919	248,928
Current liabilities			
Trade and other payables	13	**225,921**	190,375
Current portion of bank loans		**2,232**	350
Current tax payable		**4,294**	552
Provisions for long service payments and reinstatement costs		**6,656**	5,489
		239,103	196,766
Net current assets		**19,816**	52,162

Consolidated Balance Sheet

At 30 September 2009 — unaudited *(Continued)*
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2009 $'000**	At 31 March 2009 $'000
Total assets less current liabilities		**461,567**	405,562
Non-current liabilities			
Bank loans		**44,131**	5,670
Deferred tax liabilities		**5,083**	2,962
Rental deposits received		**573**	675
Provisions for long service payments and reinstatement costs		**20,939**	21,365
		70,726	30,672
Net assets		**390,841**	374,890
Capital and reserves			
Share capital		**125,687**	125,587
Reserves		**265,154**	249,303
Total equity attributable to equity shareholders of the Company		**390,841**	374,890

The notes on pages 10 to 23 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009 — 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 2008		127,106	–	1,463	(4,484)	–	245,868	369,953
Shares issued under share option scheme		100	133	–	–	–	–	233
Issue expenses		–	(4)	–	–	–	–	(4)
Dividends approved in respect of the previous year	*7(b)*	–	–	–	–	–	(51,670)	(51,670)
Equity-settled share-based transactions		–	90	(79)	–	–	–	11
Repurchase of own shares								
– par value paid		(1,719)	–	–	–	–	–	(1,719)
– premium and transaction costs paid		–	(219)	–	–	–	(12,346)	(12,565)
Total comprehensive income for the period		–	–	–	1,043	241	46,418	47,702
At 30 September 2008 (unaudited)		125,487	–	1,384	(3,441)	241	228,270	351,941
At 1 October 2008		125,487	–	1,384	(3,441)	241	228,270	351,941
Shares issued under share option scheme		100	132	–	–	–	–	232
Issue expenses		–	(4)	–	–	–	–	(4)
Equity-settled share-based transactions		–	97	1,284	–	–	496	1,877
Repurchase of own shares								
– premium and transaction costs paid		–	–	–	–	–	(4)	(4)
Dividend declared in respect of the current year	*7(a)*	–	–	–	–	–	(12,549)	(12,549)
Total comprehensive income for the period		–	–	–	(207)	–	33,604	33,397
At 31 March 2009 (audited)		**125,587**	**225**	**2,668**	**(3,648)**	**241**	**249,817**	**374,890**

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009 — 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 2009		125,587	225	2,668	(3,648)	241	249,817	374,890
Shares issued under share option scheme	*14*	100	133	–	–	–	–	233
Issue expenses		–	(4)	–	–	–	–	(4)
Dividend approved in respect of the previous year	*7(b)*	–	–	–	–	–	(35,192)	(35,192)
Equity-settled share-based transactions		–	96	1,074	–	–	223	1,393
Total comprehensive income for the period		–	–	–	226	–	49,295	49,521
At 30 September 2009 (unaudited)		**125,687**	**450**	**3,742**	**(3,422)**	**241**	**264,143**	**390,841**

The notes on pages 10 to 23 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2009 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2009	2008
	Note	***$'000***	*$'000*
Cash generated from operations		**103,144**	26,878
Tax paid		**–**	–
Net cash generated from operating activities		**103,144**	26,878
Net cash used in investing activities		**(97,110)**	(17,363)
Net cash generated from/(used in) financing activities		**2,856**	(67,226)
Increase/(decrease) in cash and cash equivalents		**8,890**	(57,711)
Cash and cash equivalents at 1 April		**181,098**	178,052
Cash and cash equivalents at 30 September	*12*	**189,988**	120,341

The notes on pages 10 to 23 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 November 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2010 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 2009 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 page 24. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 March 2009 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 July 2009.

2 Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations 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:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*
- HK(IFRIC) 13, *Customer loyalty programmes*

The adoption of Improvements to HKFRSs (2008), Interpretation HK(IFRIC) 13, HKAS 23 (revised 2007) and Amendments to HKFRS 2 do not have a significant impact on the Group's results of operations and financial position. In addition, the amendments to HKFRS 7 does not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 3). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been presented on a basis consistent with the revised segment information.

2 Changes in accounting policies *(Continued)*

- As a result of the adoption to HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 April 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's income statement and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3 Segment reporting

The Group manages its businesses by two geographical divisions, namely Hong Kong restaurant and the PRC restaurant, which are organised by both products and geography. On first-time adoption of HKFRS 8, *Operating segments* and 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 operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 for determining reportable segments are combined as "other segments". Such operating segments generate profits mainly from leasing of investment properties.

(a) Segment results

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, 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.

3 Segment reporting *(Continued)*

(a) Segment results (Continued)

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.

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 period is set out below.

For the six months ended 30 September	**Hong Kong restaurant**		**The PRC restaurant**		**Other segments**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**696,951**	669,587	**76,381**	65,289	**7,125**	7,740	**780,457**	742,616
Inter-segment revenue	**–**	–	**–**	–	**(3,264)**	(3,118)	**(3,264)**	(3,118)
Reportable segment revenue	**696,951**	669,587	**76,381**	65,289	**3,861**	4,622	**777,193**	739,498
Reportable segment profit	**48,309**	42,749	**4,126**	7,451	**4,388**	4,686	**56,823**	54,886

3 Segment reporting *(Continued)*

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2009	2008
	$'000	*$'000*
Profit		
Reportable segment profit before taxation	**56,823**	54,886
Compensation received on early termination of lease	**–**	7,000
Compensation received on granting right of access to a third party for construction work to be performed in part of a restaurant	**3,375**	–
Change in fair value of other financial assets at fair value through profit or loss	**–**	(4,943)
Valuation gains/(losses) on investment properties	**2,812**	(1,030)
Impairment losses on fixed assets	**(3,842)**	–
Unallocated corporate expenses	**(1,778)**	(510)
Consolidated profit before taxation	**57,390**	55,403

4 Other revenue and net income

	Six months ended 30 September	
	2009	2008
	$'000	*$'000*
Other revenue		
Interest income	**509**	1,614
Other net income		
Compensation received on early termination of lease	**–**	7,000
Compensation received on granting right of access to a third party for construction work to be performed in part of a restaurant	**3,375**	–
Loss on disposal of fixed assets from early termination of lease	**–**	(2,661)
Net loss on disposal of fixed assets from normal activities	**(2,409)**	(406)
Profit on sale of redemption gifts	**377**	664
Electric and gas range incentives	**1,024**	841
Others	**583**	757
	2,950	6,195

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2009	2008
	$'000	*$'000*
(a) Finance costs:		
Interest on bank borrowings	**552**	46
Change in fair value of other financial assets at fair value through profit or loss *(Note (a))*	**–**	4,943
	552	4,989
(b) Other items:		
Cost of inventories *(Note (b))*	**216,147**	211,760
Depreciation of fixed assets	**25,505**	24,728
Amortisation of interests in leasehold land held for own use under operating leases	**106**	–

Notes:

(a) The other financial assets are principal protected structured notes placed with financial institutions. According to the prevailing accounting standards, certain structured notes are stated at their fair value at the balance sheet date, with any resultant gain or loss being recognised in the income statement. As such, a change in fair value loss of $4.9 million was recognised in the six months ended 30 September 2008. Such fair value loss had no impact on the cash flows of the Group.

(b) The cost of inventories represents food costs.

6 Income tax

	Six months ended 30 September	
	2009	2008
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax	**6,088**	9,444
PRC taxation	**(114)**	(95)
	5,974	9,349
Deferred tax		
Origination and reversal of temporary differences	**2,121**	(364)
	8,095	8,985

The provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30 September 2009. 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.

7 Dividend

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

	Six months ended 30 September	
	2009	2008
	$'000	*$'000*
Interim dividend declared and payable after the interim period of 18.0 cents (2008: 10.0 cents) per share	**22,624**	12,549

The interim dividend has not been recognised as a liability at the balance sheet date.

7 Dividend *(Continued)*

(b) Dividend 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	
	2009	2008
	$'000	*$'000*
Final dividend in respect of the previous financial year ended 31 March 2009, approved and paid during the following interim period, of 28.0 cents (year ended 31 March 2008: 29.0 cents) per share	**35,192**	36,547
Special dividend in respect of the previous financial year ended 31 March 2009, approved and paid during the following interim period, of nil cents (year ended 31 March 2008: 12.0 cents) per share	**–**	15,123
	35,192	51,670

In respect of the final dividends for the year ended 31 March 2009, there is a difference of $28,000 between final dividends disclosed in the 2009 annual financial statements and amounts approved and paid during the period which represents dividends attributable to new shares issued upon the exercise of share options before the closing date of the register of members.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the period ended 30 September 2009 is based on the profit attributable to ordinary equity shareholders of the Company of $49,295,000 (2008: $46,418,000) and the weighted average of 125,671,000 ordinary shares (2008: 126,297,000 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 September 2009 is based on the profit attributable to ordinary equity shareholders of the Company of $49,295,000 (2008: $46,418,000) and the weighted average number of ordinary shares of 125,681,000 shares (2008: 126,556,000 shares), calculated as follows:

8 Earnings per share *(Continued)*

(b) Diluted earnings per share (Continued)

Weighted average number of ordinary shares (diluted):

	Six months ended 30 September	
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,671**	126,297
Deemed issue of ordinary shares for nil consideration	**10**	259
Weighted average number of ordinary shares used in calculating diluted earnings per share	**125,681**	126,556

9 Fixed assets

(a) All investment properties of the Group were revalued as at 30 September 2009 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 $2,812,000 (2008: a loss of $1,030,000) has been included in the consolidated income statement.

(b) During the six months ended 30 September 2009, 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 $3,842,000 (six months ended 30 September 2008: nil). 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 2008: 10%).

(c) During the six months ended 30 September 2009, the Group acquired items of fixed assets with a cost of $116,260,000 (six months ended 30 September 2008: $17,361,000) which mainly related to the new central food processing plant. Items of fixed assets with a net book value of $2,409,000 were disposed of during the six months ended 30 September 2009 (six months ended 30 September 2008: $3,067,000).

(d) At 30 September 2009, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to $69,269,000 (31 March 2009: $43,302,000).

10 Other financial assets

Other financial assets represent principal protected structured notes placed with financial institutions which are subject to call option at the discretion of the financial institutions before the maturity dates. Interest is receivable on a quarterly or annual basis and calculated at fixed or variable rates with reference to the London Interbank Offered Rate ("LIBOR").

11 Trade and other receivables

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

	At 30 September 2009	At 31 March 2009
	$'000	*$'000*
1 to 30 days	**4,058**	1,083
31 to 90 days	**40**	31
	4,098	1,114

The Group's sales to customers are mainly on a cash basis. The Group also grants credit terms of 30 to 90 days to certain customers to which the Group provides catering services.

12 Bank deposits and cash

	At 30 September 2009	At 31 March 2009
	$'000	*$'000*
Deposits with banks	**66,994**	110,946
Cash at bank and in hand	**122,994**	70,152
Cash and cash equivalents in the condensed consolidated cash flow statement	**189,988**	181,098
Pledged bank deposits	**2,520**	–
	192,508	181,098

13 Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 September 2009 *$'000*	At 31 March 2009 *$'000*
1 to 30 days	**75,159**	57,627
31 to 90 days	**1,043**	1,741
91 to 180 days	**125**	1,089
181 to 365 days	**291**	499
Over one year	**979**	472
	77,597	61,428

14 Equity-settled share-based transactions

During the period, options were exercised to subscribe for 100,000 ordinary shares (six months ended 30 September 2008: 100,000 shares) in the Company at a consideration of $233,000 (six months ended 30 September 2008: $233,000), of which $100,000 (six months ended 30 September 2008: $100,000) was credited to share capital and the balance of $133,000 (six months ended 30 September 2008: $133,000) was credited to the share premium account. $96,000 (six months ended 30 September 2008: $90,000) has been transferred from the capital reserve to the share premium account upon the exercise of respective share options during the period.

15 Capital commitments

Capital commitments outstanding at 30 September 2009 not provided for in the Group's interim financial report were as follows:

	At 30 September 2009 *$'000*	At 31 March 2009 *$'000*
Authorised and contracted for	**7,123**	29,560
Authorised but not contracted for	**45,662**	99,270
	52,785	128,830

Included in capital commitments outstanding at 30 September 2009 was an amount of $39,463,000 (31 March 2009: $116,611,000) for the future development of the new central food processing plant to cope with the Group's long term business growth.

16 Contingent liabilities

At 30 September 2009, 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 balance sheet date, 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 balance sheet date under the guarantee is the amount of the facilities drawn down by all the subsidiaries that are covered by the guarantee, being $78,945,000 (31 March 2009: $36,149,000).

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.

17 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 2009:

(a) Remuneration for key management personnel of the Group for the six months ended 30 September 2009 is as follows:

	Six months ended 30 September	
	2009	2008
	$'000	*$'000*
Salaries and other short-term employee benefits	**6,422**	4,830
Contribution to defined contribution retirement plans	**18**	18
	6,440	4,848

17 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 wholly beneficially owned by Pengto International Limited ("Pengto"), 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 New Champion. Rental expenses incurred during the period amounted to $717,000 (six months ended 30 September 2008: $623,000).

(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 $775,000 (six months ended 30 September 2008: $983,000).

(d) During the period, New Champion agreed to grant a licence to a subsidiary of the Company to use a storeroom in Hong Kong. Licence fee paid during the period amounted to $5,000 (six months ended 30 September 2008: $90,000).

18 Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

Advertising expenses and coupon expenses for the six months ended 30 September 2008 have been re-classified from cost of sales to selling expenses and turnover (as deductions) respectively to conform with the presentation adopted in the annual financial statements for the year ended 31 March 2009. The revised presentation reflects better the nature of these transactions.

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 23 which comprises the consolidated balance sheet of Fairwood Holdings Limited as of 30 September 2009 and the related consolidated income statement, statement of comprehensive income and 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 2009 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

30 November 2009

Management Discussion and Analysis

Overall performance

For the six months ended 30 September 2009, the Group achieved turnover of HK$777.2 million compared with HK$739.5 million for the corresponding period last year. Gross profit margin was 14.3% (six months ended 30 September 2008: 13.8%). Profit attributable to equity shareholders of the Company was HK$49.3 million versus HK$46.4 million for the same period last year. Basic earnings per share were HK39.23 cents (six months ended 30 September 2008: HK36.75 cents).

Business review

During the review period, Fairwood continued to dedicate efforts in enhancing its product offerings amidst a challenging business environment. Despite the fact that rental costs had remained high, the Group managed to improve its gross margin by way of stringent cost control measures, including adjusting sourcing mix of its food ingredients, better staff scheduling and enhancing internal operational efficiency. Through the introduction of innovation and novelty to the menu, the Group has been able to command higher prices for its specialty products, thereby encouraging greater average spending and increasing customer volume.

To enhance brand value and promote the Group's innovative spirit, an advertising campaign featuring Fairwood's new spokesperson had been launched and proved to be particularly popular among young and affluent customers. In its effort to enhance the contemporary dining concept, the Group has continued to refurbish its restaurants to create more vibrant and welcoming environments.

The Group is committed to raising overall efficiency through greater economies of scale. The opening of a new central processing plant at the Tai Po Industrial Estate, New Territories, reflected the Group's commitment in this area. Since commencement of operation from September 2009, the new facility had contributed positively to the Group's internal processes as well as provided greater flexibility in product offering.

The Group's Mainland China operation continued to achieve sales growth, rising by 17.0% over the same period last year. This was largely attributable to special menus tailored to satisfy local tastes.

During the review period, the Group opened 7 new fast food outlets with 4 in Hong Kong and 3 in Mainland China. As at 30 September 2009, the Group had a total of 97 outlets in operation in Hong Kong, including 92 fast food outlets, 3 Buddies Cafes and 2 specialty restaurants; and 15 fast food outlets in Mainland China.

Prospect

Looking ahead, the management remains optimistic about the prospects of the consumer market in Hong Kong.

To expedite the Group's growth, the management will make full use of the new central food processing plant to optimize production efficiency. The new infrastructures will enable the Group to further expand its product range and introduce cuisine not normally served at fast food restaurants and is expected to play an essential role in facilitating the Group's long-term business growth. With the implementation of phase two of the SAP Enterprise Resources Planning (ERP) System, the Group will be able to make management decisions based on more organized information. The combination of enhanced efficiency and delivery of innovative, value-added products is expected to help improve margins as well as to bring customers a more enjoyable dining experience.

As one of the most preferred fast food chains in Hong Kong, the Group is equally committed to making similar progress in Mainland China. Hence, the successful business model employed for Hong Kong will be adapted to meet local demands in the Mainland. Targeting young and affluent consumers and delivering innovative, quality food and services will remain Fairwood's fundamental goals, though added emphasis will be placed on enhancing operational efficiency.

With effective leadership, sound fundamentals and well formulated business strategies; the Group is fully equipped to tackle challenges arising from changing market conditions, thereby maintaining growth and delivering favorable returns to shareholders.

Financial review

Liquidity and financial resources

At 30 September 2009, the Group had total assets of HK$700.7 million (31 March 2009: HK$602.3 million). The Group's working capital was HK$19.8 million (31 March 2009: HK$52.2 million), represented by total current assets of HK$258.9 million (31 March 2009: HK$248.9 million) against total current liabilities of HK$239.1 million (31 March 2009: HK$196.7 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.1 (31 March 2009: 1.3). The return on average equity was 12.9% (six months ended 30 September 2008: 12.9%), being profits attributable to equity shareholders of the Company against the average total equity. Total equity attributable to equity shareholders of the Company was HK$390.8 million (31 March 2009: HK$374.9 million).

The Group continued to maintain a strong financial position. At 30 September 2009, the Group had bank deposits and cash amounting to HK$192.5 million (31 March 2009: HK$181.1 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2009, the Group had total bank loans of HK$46.4 million (31 March 2009: HK$6.0 million) which was denominated in Hong Kong dollars and Renminbi. The maturity of borrowings are up to 2019 with approximately 4.8% repayable within 1 year, 66.8% repayable over 1 year but less than 5 years and 28.4% repayable after 5 years. The unutilised banking facilities were HK$212.2 million (31 March 2009: HK$220.4 million). The gearing ratio of the Group was 11.9% (31 March 2009: 1.6%), which was calculated based on the total bank loans over total equity attributable to equity shareholders of the Company.

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

Charges on Group's properties

At 30 September 2009, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounting to HK$69.3 million (31 March 2009: HK$43.3 million).

Commitments

The Group's capital commitments outstanding at 30 September 2009 was HK$52.8 million (31 March 2009: HK$128.8 million). Included in capital commitments outstanding at 30 September 2009 was an amount of HK$39.5 million (31 March 2009: HK$116.6 million) for the future development of the new central food processing plant to cope with the Group's long term business growth.

Contingent liabilities

At 30 September 2009, 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 balance sheet date, 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 balance sheet date under the guarantee is the amount of the facilities drawn down by all the subsidiaries that are covered by the guarantee, being HK$78.9 million (31 March 2009: HK$36.1 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 2009, the total number of employees of the Group was approximately 4,600. Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually basing on performance appraisals and other relevant factors.

The Group continues to offer competitive remuneration packages, share options and bonus to eligible staff, basing 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 2009, the interests or short positions of the Directors and chief executives of the Company and their associates in the issued share capital 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					
	Personal interests	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of total issued shares**
Dennis Lo Hoi Yeung	3,471,105	–	–	51,984,279 *(Note 1)*	55,455,384	44.12%
Chan Chee Shing	15,000	–	–	–	15,000	0.01%
Ng Chi Keung	613,000	–	–	–	613,000	0.49%

Note 1: These shares were held by Neblett Investments Limited ("Neblett"), 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 Neblett.

(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, 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 2009, 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.

Share option scheme

As at 30 September 2009, 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 2009	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 2009	Exercise price per share *(HK$)*	Closing price per share immediately before date of grant of options *(HK$)*	Closing price per share immediately before date of exercise of options *(HK$)*
Employee	100,000	–	1 September 2004	Exercisable in four batches during the period from 23 September 2005 to 22 September 2009	–	(100,000)	–	2.325	2.35	6.00
Employee	–	800,000	6 April 2009	Exercisable in five tranches of 20% during the period from 5 April 2010 to 4 April 2017	–	–	800,000	6.30	6.23	–
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	–
Ng Chi Keung (Director)	–	400,000	8 April 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	–	–	400,000	6.26	6.28	–
Employees	–	3,600,000	8 April 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	(160,000)	–	3,440,000	6.26	6.28	–

	Number of options outstanding at 1 April 2009	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 2009	Exercise price per share *(HK$)*	Closing price per share immediately before date of grant of options *(HK$)*	Closing price per share immediately before date of exercise of options *(HK$)*
Employee	–	100,000	4 May 2009	Exercisable in five tranches of 20% during the period from 1 April 2010 to 31 March 2016	–	–	100,000	6.29	6.18	–
Employees	–	200,000	10 July 2009	Exercisable in five tranches of 20% during the period from 1 July 2010 to 30 June 2016	–	–	200,000	7.69	7.30	–

Fair value of share options and assumptions

The fair value of services received in return for share options granted in the six months ended 30 September 2009 is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Trinomial Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Trinomial Model.

	Options granted at 6 April 2009	Options granted at 8 April 2009	Options granted at 4 May 2009	Options granted at 10 July 2009
Fair value at measurement date	\$0.64	\$0.69	\$0.62	\$0.57
Share price	\$6.30	\$6.26	\$6.29	\$6.91
Exercise price	\$6.30	\$6.26	\$6.29	\$7.69
Expected volatility	25.06% – 29.15%	26.05% – 34.01%	25.30% – 28.01%	27.10% – 29.91%
Option life (expressed as weighted average life used in the modelling under Trinomial Model)	3.00 years	3.51 years	2.91 years	2.98 years
Expected dividend yield	6.19%	6.23%	6.20%	5.64%
Risk-free interest rate (based on Exchange Fund Notes)	0.44% – 1.70%	0.59% – 1.80%	0.21% – 1.64%	0.08% – 1.79%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividend yield is based on historical dividends. Change in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The result of the Trinomial Model can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the Trinomial Model.

Apart from the foregoing, at no time during the six months ended 30 September 2009 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 2009, 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)*	51,984,279	41.36%
(ii)	Jumbo Easy Limited *(Note)*	51,984,279	41.36%
(iii)	Winning Spirit International Corp *(Note)*	51,984,279	41.36%
(iv)	HSBC International Trustee Limited *(Note)*	51,984,279	41.36%
(v)	Allard Partners Limited	10,187,500	8.11%

Note:

These interests represented the same block of shares and were held by Neblett. Neblett was a company wholly-owned by Winning Spirit International Corp, which in turn was a company wholly-owned by HSBC International Trustee Limited in the capacity of trustee. Jumbo Easy Limited was deemed to be interested in these shares by virtue of its capacity of a discretionary object of the trust which beneficially owned Neblett and being a wholly-owned company of Mr Dennis Lo Hoi Yeung. HSBC International Trustee Limited was deemed to be interested in the shares held by Neblett in the capacity of trustee of the trust which beneficially owned Neblett.

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 2009.

Interim dividend

The Board declared an interim dividend of HK18.0 cents (2008: HK10.0 cents) per share for the six months ended 30 September 2009 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 17 December 2009. This represents a distribution of approximately 46% of the Group's profit attributable to equity shareholders. The interim dividend will be paid on or before Thursday, 24 December 2009.

Closure of register of members

The Register of Members of the Company will be closed from Wednesday, 16 December 2009 to Thursday, 17 December 2009, 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 Hong Kong 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 Tuesday, 15 December 2009 for registration.

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

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate governance

The Company has complied with the applicable code provisions of the 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 2009, except that the Chairman and/or Managing Director of the Company are not subject to retirement by rotation.

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.

Under the Bye-laws of the Company, the Chairman and the Managing Director of the Company are not subject to retirement by rotation. The Board considers that the exemption of both the Chairman and the Managing Director (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 the retirement by rotation provision.

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 made by the Company, all Directors of the Company have confirmed their compliance with the required standard set out in the Model Code throughout the period ended 30 September 2009.

Audit committee

The audit committee comprises three Independent Non-executive Directors of the Company and reports to the Board. The audit committee has reviewed with the management and the Company's external auditors the unaudited financial information and interim results for the six months ended 30 September 2009.

Appreciation

I would like to thank the board of directors and our employees for their continuous support and contribution towards the Group's progress. In particular, I would like to take this opportunity to thank Mr Herald Lau Ling Fai who had retired as an Independent Non-executive Director of the Company and the chairman of our audit committee on 27 August 2009. Throughout the tenure of his service since the listing of the Company in 1991, Mr Lau had given his invaluable advice and guidance to the Board from which the Group immensely benefited.

Lastly, I would like to express our welcome to Mr Peter Wan Kam To for joining the Company as an Independent Non-executive Director and the chairman of the audit committee on 1 September 2009.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

30 November 2009