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FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

HIGHLIGHTS

- Profit for the period rose by 10.3% to HK\$64.0 million (2011 (restated): HK\$58.1 million)
- Turnover increased by 6.9% to HK\$972.8 million (2011: HK\$910.0 million)
- Gross profit margin was 14.5% (2011: 13.7%)
- Annualized return on average equity¹ was 26.4% (year ended 31 March 2012 (restated): 24.2%)
- Basic earnings per share were HK51.15 cents (2011 (restated): HK46.38 cents)
- The Board of Directors declared an interim dividend of HK23.0 cents (2011: HK22.0 cents) per share

Note 1: Annualized return on average equity is defined as profit for the period attributable to equity shareholders of the Company excluding the compensation received for surrender of a tenancy lease against the average total equity at the beginning and the end of the reporting period and then multiplying by two

INTERIM RESULTS

The Board of Directors (the “Board”) of Fairwood Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2012 together with the comparative figures for the period ended 30 September 2011. The results have been reviewed by the Company’s auditors, KPMG, and the Company’s audit committee.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012 – UNAUDITED

		Six months ended	
		30 September	
		2012	2011
			(restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	972,776	909,971
Cost of sales		<u>(832,187)</u>	<u>(785,195)</u>
Gross profit		140,589	124,776
Other revenue	4	1,836	1,227
Other net income	4	1,859	2,192
Selling expenses		(15,582)	(15,507)
Administrative expenses		(48,578)	(44,113)
Net valuation gains on investment properties		197	1,795
Net impairment losses on fixed assets		<u>(2,538)</u>	<u>(502)</u>
Profit from operations		77,783	69,868
Finance costs	5(a)	<u>(498)</u>	<u>(1,157)</u>
Profit before taxation	5	77,285	68,711
Income tax	6	<u>(13,273)</u>	<u>(10,655)</u>
Profit for the period attributable to equity shareholders of the Company		<u>64,012</u>	<u>58,056</u>
Earnings per share	8		
Basic		<u>51.15 cents</u>	<u>46.38 cents</u>
Diluted		<u>50.44 cents</u>	<u>45.77 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012 – UNAUDITED

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012 – UNAUDITED

		At 30 September 2012	At 31 March 2012 (restated)	At 1 April 2011 (restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Fixed assets				
– Investment properties		43,199	44,202	42,367
– Other property, plant and equipment		383,681	350,317	349,997
– Interests in leasehold land held for own use under operating leases		7,357	7,463	7,675
		<u>434,237</u>	401,982	400,039
Goodwill		1,001	1,001	1,001
Rental deposits paid		47,808	44,721	42,245
Other financial asset	9	–	2,329	2,334
Deferred tax assets		1,172	780	663
		<u>484,218</u>	450,813	446,282
Current assets				
Non-current assets held for sale	10	5,976	–	–
Inventories		35,545	33,483	33,087
Trade and other receivables	11	61,143	57,153	47,785
Current tax recoverable		–	8	47
Bank deposits and cash		342,613	265,306	253,710
		<u>445,277</u>	355,950	334,629
Current liabilities				
Trade and other payables	12	369,701	226,104	219,560
Bank loans		5,050	5,024	10,908
Current tax payable		11,669	6,766	14,325
Provisions for long service payments and reinstatement costs		6,005	6,514	5,790
		<u>392,425</u>	244,408	250,583
Net current assets		<u>52,852</u>	111,542	84,046
Total assets less current liabilities		<u>537,070</u>	562,355	530,328

	At 30 September 2012 <i>HK\$'000</i>	At 31 March 2012 (restated) <i>HK\$'000</i>	At 1 April 2011 (restated) <i>HK\$'000</i>
Non-current liabilities			
Bank loans	23,463	25,994	31,018
Deferred tax liabilities	13,104	9,494	11,193
Rental deposits received	536	260	479
Provisions for long service payments and reinstatement costs	29,300	25,768	22,597
	66,403	61,516	65,287
Net assets	470,667	500,839	465,041
Capital and reserves			
Share capital	125,158	124,500	125,414
Reserves	345,509	376,339	339,627
Total equity	470,667	500,839	465,041

1 BASIS OF PREPARATION

The interim financial results have 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”).

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

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

The interim financial results are unaudited, but have 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. In addition, the interim financial results have been reviewed by the Company’s audit committee.

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

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

Amendments to HKFRS 7 Financial instruments: disclosures

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

Amendments to HKAS 12 Income taxes

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

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

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

	As previously reported HK\$'000	Effect of adoption of amendments to HKAS 12 HK\$'000	As restated HK\$'000
Consolidated income statement for six months ended 30 September 2011:			
Income tax expense	10,485	170	10,655
Profit for the period	58,226	(170)	58,056
Basic earnings per share	46.52 cents	(0.14) cents	46.38 cents
Diluted earnings per share	45.91 cents	(0.14) cents	45.77 cents
Consolidated statement of financial position as at 31 March 2012:			
Deferred tax liabilities	6,621	2,873	9,494
Retained earnings	370,582	(2,873)	367,709
Consolidated statement of financial position as at 1 April 2011:			
Deferred tax liabilities	8,507	2,686	11,193
Retained earnings	<u>335,724</u>	<u>(2,686)</u>	<u>330,038</u>

3 TURNOVER AND SEGMENT REPORTING

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

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

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

The Group manages its businesses by two geographical divisions, namely Hong Kong restaurant and the PRC restaurant. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

(a) *Segment results*

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

	Hong Kong restaurant		The PRC restaurant		Other segments		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September								
Revenue from external customers	866,490	807,796	104,348	100,114	1,938	2,061	972,776	909,971
Inter-segment revenue	—	—	—	—	2,689	2,690	2,689	2,690
Reportable segment revenue	866,490	807,796	104,348	100,114	4,627	4,751	975,465	912,661
Reportable segment profit	71,762	52,739	4,651	12,839	4,024	3,338	80,437	68,916

(b) Reconciliations of reportable segment profit

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

4 OTHER REVENUE AND NET INCOME

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

5 PROFIT BEFORE TAXATION

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

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

Note: The cost of inventories represents food costs.

6 INCOME TAX

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

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

7 DIVIDENDS

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

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
Interim dividend declared and payable after the interim period of HK23.0 cents (2011: HK22.0 cents) per share	<u>28,786</u>	<u>27,294</u>

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

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

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year ended 31 March 2012, approved and payable during the following interim period, of HK38.0 cents (year ended 31 March 2011: HK32.0 cents) per share	47,560	40,237
Special final dividend in respect of the previous financial year ended 31 March 2012, approved and payable during the following interim period, of HK40.0 cents (year ended 31 March 2011: HK12.0 cents) per share	50,063	15,089
	<u>97,623</u>	<u>55,326</u>

In respect of the final dividend and special final dividend for the year ended 31 March 2012, there is a difference of HK\$513,000 between final dividend and special final dividend disclosed in the 2012 annual financial statements and amounts approved and payable during the period which represents dividends attributable to (i) shares repurchased and (ii) new shares issued upon the exercise of share options, before the closing date of the register of members.

8 EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 September 2012 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$64,012,000 (2011 (restated): HK\$58,056,000) and the weighted average number of ordinary shares of 125,142,000 shares (2011: 125,169,000 shares) in issue during the period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the six months ended 30 September 2012 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$64,012,000 (2011 (restated): HK\$58,056,000) and the weighted average number of ordinary shares of 126,910,000 shares (2011: 126,831,000 shares), calculated as follows:

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

9 OTHER FINANCIAL ASSET

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

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

10 NON-CURRENT ASSETS HELD FOR SALE

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

11 TRADE AND OTHER RECEIVABLES

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

	At 30 September 2012 <i>HK\$'000</i>	At 31 March 2012 <i>HK\$'000</i>
1 to 30 days	3,975	3,180
31 to 90 days	8	321
91 to 180 days	-	-
181 to 365 days	-	1
	<u>3,983</u>	<u>3,502</u>

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

12 TRADE AND OTHER PAYABLES

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

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

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

13 COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Overall performance

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

Business review

Hong Kong

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

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

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

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

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

Mainland China

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

Network

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

Prospect

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

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

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

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

Financial Review

Liquidity and financial resources

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

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

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

Profitability

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

Financial risk management

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

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

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

Charges on Group's assets

As at the end of the reporting period, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK\$47.8 million (31 March 2012: HK\$48.3 million).

Commitments

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

Contingent liabilities

At 30 September 2012, guarantees are given to banks by the Company in respect of mortgage loans and other banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the directors of the Company ("Director") do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by all the subsidiaries that are covered by the guarantees, being HK\$78.3 million (31 March 2012: HK\$77.6 million).

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

Employee information

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

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

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 12 December 2012 to Friday, 14 December 2012 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share 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, 11 December 2012 for registration.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

Month/Year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
April 2012	<u>67,500</u>	12.50	12.40	<u>843</u>

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

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2012, save and except that the Chairman and the Managing Director are not subject to retirement by rotation under the Bye-laws of the Company.

Code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; however, the Chairman and the Managing Director are not subject to retirement by rotation under the Bye-laws of the Company. The Board considers that the exemption of both the Chairman and the Managing Director (the Chief Executive Officer) from such retirement by rotation provisions would provide the Group with strong and consistent leadership, efficient use of resources, effective planning, formulation and implementation of long-term strategies and business plans. The Board believes that it would be in the best interest of the Company for such Directors to continue to be exempted from retirement by rotation provisions.

AUDIT COMMITTEE

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Following specific enquiry by the Company, all Directors confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 September 2012.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.fairwood.com.hk) and the Stock Exchange (www.hkex.com.hk). The interim report of the Company for the six months ended 30 September 2012 containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 27 November 2012

As at the date of this announcement, the Board of the Company comprises (i) Mr Dennis Lo Hoi Yeung (Executive Chairman), Mr Chan Chee Shing (Chief Executive Officer) and Ms Mak Yee Mei as Executive Directors; (ii) Mr Ng Chi Keung as Non-executive Director; and (iii) Mr Joseph Chan Kai Nin, Dr Peter Lau Kwok Kuen, Mr Tony Tsoi Tong Hoo and Mr Peter Wan Kam To as Independent Non-executive Directors.