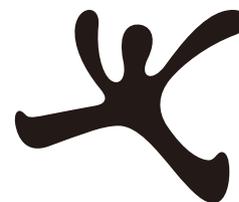


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FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

HIGHLIGHTS

- Profit for the period increased by 12.8% from HK\$103.8 million to HK\$117.1 million
- Revenue increased by 11.9% to HK\$1,405.7 million
- Annualised return on average equity¹ was 32.8%, raised by 3.3 percentage points
- Basic earnings per share were HK91.75 cents, up 12.3%
- The Board of Directors declared an interim dividend of HK37.0 cents per share

Note 1: Annualised return on average equity is defined as profit for the period attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the reporting period and then multiplied 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 2017 together with the comparative figures for the six months ended 30 September 2016. The interim financial results are unaudited, but have been reviewed by the Company’s audit committee and the Company’s auditor, 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 Hong Kong Institute of Certified Public Accountants (“HKICPA”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 – UNAUDITED

		Six months ended	
		30 September	
	<i>Note</i>	2017	2016
		HK\$'000	HK\$'000
Revenue	3	1,405,728	1,256,604
Cost of sales		(1,192,923)	(1,060,784)
Gross profit		212,805	195,820
Other revenue	4	3,657	3,888
Other net gain/(loss)	4	4,718	(5,378)
Selling expenses		(15,018)	(12,690)
Administrative expenses		(65,730)	(59,147)
Valuation gains on investment properties		1,680	1,690
Impairment losses on property, plant and equipment		(5,085)	–
Profit from operations		137,027	124,183
Finance costs	5(a)	(31)	(54)
Profit before taxation	5	136,996	124,129
Income tax	6	(19,908)	(20,298)
Profit for the period attributable to equity shareholders of the Company		117,088	103,831
Earnings per share	8		
Basic		HK91.75 cents	HK81.71 cents
Diluted		HK90.60 cents	HK80.46 cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 – UNAUDITED

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period attributable to equity shareholders of the Company	117,088	103,831
Other comprehensive income for the period (after tax):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	<u>2,216</u>	<u>(1,380)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>119,304</u>	<u>102,451</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017 – UNAUDITED

		At 30 September 2017 HK\$'000	At 31 March 2017 HK\$'000
	<i>Note</i>		
Non-current assets			
Investment properties		42,860	41,180
Other property, plant and equipment		486,541	453,715
Interests in leasehold land held for own use under operating leases		6,298	6,404
		<u>535,699</u>	501,299
Goodwill		1,001	1,001
Rental deposits paid		69,449	69,089
Other financial assets	9	23,069	7,885
Deferred tax assets		145	145
		<u>629,363</u>	579,419
		-----	-----
Current assets			
Inventories		45,043	41,672
Trade and other receivables	10	87,866	79,182
Other financial assets	9	–	1,132
Bank deposits and cash		619,503	502,979
		<u>752,412</u>	624,965
		-----	-----
Current liabilities			
Trade and other payables	11	423,550	393,514
Dividends payable		138,085	–
Bank loan		1,720	1,720
Current tax payable		20,943	9,370
Provisions	12	13,631	12,642
		<u>597,929</u>	417,246
		-----	-----
Net current assets		<u>154,483</u>	207,719
		-----	-----
Total assets less current liabilities		<u>783,846</u>	787,138
		-----	-----

	At 30 September 2017	At 31 March 2017
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank loan	1,003	1,863
Deferred tax liabilities	23,930	25,477
Rental deposits received	1,836	1,310
Provisions	45,389	43,196
	<u>72,158</u>	<u>71,846</u>
NET ASSETS	<u>711,688</u>	<u>715,292</u>
Capital and reserves		
Share capital	127,862	127,164
Reserves	583,826	588,128
TOTAL EQUITY	<u>711,688</u>	<u>715,292</u>

Notes:

1 BASIS OF PREPARATION

These 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 HKICPA.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any 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 contain 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 March 2017 that is included in the interim financial results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2017 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 June 2017.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Sale of food and beverages	1,402,113	1,253,172
Property rental	3,615	3,432
	<u>1,405,728</u>	<u>1,256,604</u>

(b) Segment reporting

The Group manages its businesses by two divisions, namely Hong Kong restaurants and Mainland China restaurants, which are organised by geographical location. 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 restaurants: this segment operates fast food restaurants in Hong Kong.
- Mainland China restaurants: this segment operates fast food restaurants in Mainland China.

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

(i) Segment results

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

For the six months ended 30 September	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue from external customers	1,340,875	1,196,792	61,238	56,380	3,615	3,432	1,405,728	1,256,604
Inter-segment revenue	-	-	-	-	2,398	2,413	2,398	2,413
Reportable segment revenue	<u>1,340,875</u>	<u>1,196,792</u>	<u>61,238</u>	<u>56,380</u>	<u>6,013</u>	<u>5,845</u>	<u>1,408,126</u>	<u>1,259,017</u>
Reportable segment profit	<u>130,287</u>	<u>114,567</u>	<u>5,384</u>	<u>2,049</u>	<u>4,730</u>	<u>5,811</u>	<u>140,401</u>	<u>122,427</u>

(ii) *Reconciliations of reportable segment profit*

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Profit		
Reportable segment profit before taxation	140,401	122,427
Change in fair value of other financial liabilities at fair value through profit or loss	–	12
Valuation gains on investment properties	1,680	1,690
Impairment losses on property, plant and equipment	(5,085)	–
	<u>136,996</u>	<u>124,129</u>
Consolidation profit before taxation	<u>136,996</u>	<u>124,129</u>

4 **OTHER REVENUE AND NET GAIN/(LOSS)**

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Other revenue		
Interest income	<u>3,657</u>	<u>3,888</u>
Other net gain/(loss)		
Electric and gas range incentives	1,864	1,536
Profit on sale of redemption gifts	659	496
Net foreign exchange gain/(loss)	3,122	(4,800)
Net loss on disposal of property, plant and equipment	(1,932)	(3,380)
Others	1,005	770
	<u>4,718</u>	<u>(5,378)</u>

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank borrowings	31	66
Change in fair value of other financial liabilities at fair value through profit or loss	—	(12)
	<u>31</u>	<u>54</u>
(b) Other items		
Cost of inventories (<i>Note</i>)	332,169	295,864
Depreciation	47,815	41,718
Amortisation of interests in leasehold land held for own use under operating leases	106	106
Equity-settled share-based payment expenses	730	938
	<u>730</u>	<u>938</u>

Note: The cost of inventories represents food and beverage costs.

6 INCOME TAX

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	21,455	18,277
Deferred tax		
Origination and reversal of temporary differences	(1,547)	2,021
	<u>19,908</u>	<u>20,298</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 September 2017.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2017 as the Group's Mainland China operations have accumulated tax losses brought forward from prior years to offset the estimated assessable profits. No provision has been made for PRC corporate income tax for the six months ended 30 September 2016, as the Group's Mainland China operations sustained a loss for taxation purpose.

7 DIVIDENDS

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

	Six months ended 30 September	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend declared and payable after the interim period of HK37.0 cents (2016: HK34.0 cents) per share	47,309	43,317

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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2017, approved and payable during the following interim period, of HK58.0 cents (year ended 31 March 2016: HK55.0 cents) per share	74,157	70,065
Special final dividend in respect of the previous financial year ended 31 March 2017, approved and payable during the following interim period, of HK50.0 cents (year ended 31 March 2016: HK45.0 cents) per share	63,928	57,326
	138,085	127,391

In respect of the dividend for the year ended 31 March 2017, there is a difference of HK\$402,000 (year ended 31 March 2016: HK\$355,000) between the final dividend and a difference of HK\$346,000 (year ended 31 March 2016: HK\$291,000) between the special final dividend disclosed in the 2017 annual financial statements and amounts approved and payable during the period. The difference 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 six months ended 30 September 2017 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$117,088,000 (2016: HK\$103,831,000) and the weighted average number of ordinary shares of 127,622,000 shares (2016: 127,067,000 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 2017 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$117,088,000 (2016: HK\$103,831,000) and the weighted average number of ordinary shares of 129,232,000 shares (2016: 129,052,000 shares), calculated as follows:

	Six months ended	
	30 September	
	2017	2016
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	127,622	127,067
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	1,610	1,985
	<hr/>	<hr/>
Weighted average number of ordinary shares used in calculating diluted earnings per share	129,232	129,052
	<hr/>	<hr/>

9 OTHER FINANCIAL ASSETS

	At 30 September 2017 <i>HK\$'000</i>	At 31 March 2017 <i>HK\$'000</i>
Non-current financial assets		
Held-to-maturity debt securities		
– Unlisted but quoted	23,069	7,885
Current financial asset		
Held-to-maturity debt security		
– Unlisted but quoted	–	1,132
	<u>23,069</u>	<u>9,017</u>

The non-current debt securities represented medium term notes (a) issued by a financial institution in Mainland China, denominated in Renminbi, bears interest at a rate of 3.6% per annum with the maturity up to 13 November 2018; (b) issued by financial institutions in Mainland China, denominated in United States dollars and Renminbi, bear interests at rates of 2.8% and 3.8% per annum with the maturity up to 20 October 2020 and 19 November 2018 respectively; and (c) issued by a financial institution in Luxembourg, denominated in United States dollars, bears interest at rate of 2.3% per annum with the maturity up to 12 July 2021.

The current debt security as at 31 March 2017 represented medium term note issued by a financial institution in Abu Dhabi, denominated in Renminbi, bore interest at a rate of 3.6% per annum and matured on 30 June 2017. The medium-term note was redeemed by the financial institution during the period.

10 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 2017 <i>HK\$'000</i>	At 31 March 2017 <i>HK\$'000</i>
1 to 30 days	6,020	2,456
31 to 90 days	335	215
91 to 180 days	130	101
	<u>6,485</u>	<u>2,772</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.

11 TRADE AND OTHER PAYABLES

	At 30 September 2017 <i>HK\$'000</i>	At 31 March 2017 <i>HK\$'000</i>
Creditors and accrued expenses	393,511	364,311
Receipts in advance and deferred income	29,688	28,251
Rental deposits received	351	952
	<u>423,550</u>	<u>393,514</u>

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

	At 30 September 2017 <i>HK\$'000</i>	At 31 March 2017 <i>HK\$'000</i>
1 to 30 days	109,268	100,197
31 to 90 days	6,744	873
91 to 180 days	293	880
181 to 365 days	29	75
Over one year	384	316
	<u>116,718</u>	<u>102,341</u>

12 PROVISIONS

	At 30 September 2017 <i>HK\$'000</i>	At 31 March 2017 <i>HK\$'000</i>
Provision for long service payments	13,679	12,023
Provision for reinstatement costs for rented premises	45,341	43,815
	<u>59,020</u>	55,838
Less: Amount included under "current liabilities"	<u>(13,631)</u>	<u>(12,642)</u>
	<u>45,389</u>	<u>43,196</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

For the six months ended 30 September 2017, the revenue of the Group increased by 11.9% year on year to HK\$1,405.7 million (2016: HK\$1,256.6 million). Gross profit margin was 15.1% (2016: 15.6%). In respect of profit attributable to equity shareholders, a total of HK\$117.1 million (2016: HK\$103.8 million) was recorded, representing an increase of 12.8% when compared with the last corresponding period. Basic earnings per share were HK91.75 cents (2016: HK81.71 cents).

The Feel Good Movement

At Fairwood, we believe that people come first, which is why we strive to listen to our customers and cater to their needs. Accordingly, we have introduced the “Feel Good Movement”, which continues to elevate our customers’ dining experience with customer-centric menu offerings, heartfelt service and improved dining environment.

We understand that high-quality food is one of the main reasons that keep our customers coming back, so we are constantly making efforts to upgrade the quality and selection of our dishes. In the past six months, a new series of “Feel Good” dishes have been introduced to meet the needs of increasingly health-conscious customers. Among these offerings include the Wholesome Delight series, low-calorie breakfast sets, our signature Ah Wood Curry with assorted vegetables, the Tasty & Green series, and the No MSG added series that is now cooked with less oil. Also, we have further exceeded our customers’ expectations by allowing them to choose to have extra rice or less rice, white rice or red rice, different spreads on toast and new options such as boiled vegetable dishes without oil and sauce.

In line with our objective to create heart-warming dining experiences, we have also expanded our “Delivered to Your Table” service to non-dinner hours, specifically for dishes that are made to order, as well as for customers with special needs.

We believe that when staff members take pleasure and pride in what they do, this results in happy customers. Consequently, we have worked towards making their employment at Fairwood a cheerful and rewarding experience. As part of our efforts, we have continued developing customer-centric staff training programmes as well as group activities to express appreciation to our team members. We have also sought to empower our team by encouraging them to use observational skills to proactively make decisions that lead to more heartfelt customer service. We fully believe that nurturing a happy workforce results in happy dining experience for our customers.

We also believe that our dining environment is an important part of the dining experience, and we have continued to implement the “Third Generation” of Fairwood’s orange-themed interior design, which draws inspiration from the dynamism and energy of Hong Kong. More stores will adopt this latest design theme, creating an exciting new ambience for our patrons.

We will continue to drive forward the “Feel Good” movement, as it enables us to increase brand recognition and encourage staff development, thereby raising customer satisfaction. We firmly believe that by enhancing the overall dining experience, we are able to create happy customers, result in appreciation for our team and foster an environment of mutual respect. Furthermore, the movement allows us to better cater to the needs of our customers and of the community as a whole, embracing our mission: “Enjoy Great Food. Live a Great Life!”

Business review

Hong Kong

The Group performed favourably in Hong Kong. Among the encouraging results, year-on-year increases in revenue of approximately 12% this year are reflecting a sustainable organic growth.

The Group’s encouraging performance has been supported by our efforts to improve food quality, which include procuring ingredients from reliable sources around the world and enhancing the taste of dishes and sauces used, as well as employing different cooking methods. These have made our food even more appealing and well-received by customers.

While continuously improving food quality, we have at the same time upgraded our central food processing plant to enhance production efficiency; used the SAP Enterprise Resource Planning (“ERP”) system to better utilise business data; and increased automation to raise food preparation efficiency. Our ability to carefully engineer our menu to address customers’ needs and desires has also allowed us to effectively manage costs.

We have also continued to aggressively expand our presence in Hong Kong by opening six new Fairwood restaurants in the city during the review period, and will maintain this aggressive approach going forward. Besides the six restaurants mentioned, we have also opened three specialty restaurants in the past six months, including our newest concept restaurant brand, Taiwan Bowl (一碗肉燥). Targeting younger customers, Taiwan Bowl offers a unique and contemporary take on Taiwanese cuisine set in a casual and modern environment. We will continue to expand our specialty restaurant division, spearheaded by the launch of Taiwan Bowl and the encouraging performance of our casual Japanese and Western brand, ASAP.

Mainland China

With regard to our Mainland China operations, we have managed to deliver solid business growth during the past six months. Our focus on operating in residential areas of Southern China, introducing the “Feel Good” movement to the region by enhancing service quality and upgrading food quality and aligning menus with our Hong Kong counterparts, all played roles in the upturn.

Moreover, to enhance customer experience and efficiency of service at our restaurants, we have introduced electronic table locators which allow our staff to quickly locate customers and deliver food to them once it is ready. Also, recognising the popularity of food delivery services in Mainland China, we have partnered with delivery platforms to expand our local takeaway business and offer different menus to specific customer segments in order to address their needs. As a result of such efforts, we have been able to achieve a rise in revenue of approximately 9%.

In view of the progress made in all areas of operation, we are cautiously optimistic about our business prospects in Mainland China, and will seek to bolster our presence as opportunities arise.

Network

During the review period, we have opened a total of 9 new stores in Hong Kong. We will continue to evaluate locations for further bolstering our network. As of 30 September 2017, the Group has a total of 141 stores in operation in Hong Kong, including 130 fast food stores and 11 specialty restaurants. In Mainland China, the Group operates nine fast food stores.

Giving back to the community

Fairwood has always felt an intimate connection with the community, and in particular, with the elderly. Giving back to the community is always an important part of the Fairwood culture. In 2014, we introduced the “Care for Seniors” campaign, which included issuing discount cards specifically to benefit this group. Up to the present, we have distributed over 90,000 cards, which can be used by the elderly at all of our stores in Hong Kong. We also offer menus and amenities to cater to the elderly as well as the physically challenged, such as priority seating, under-table hooks, handrails in toilets and non-glare menu boards.

Furthermore, we have organised a variety of CSR activities, including the “Fairwood \$4 Meal Campaign” and “Fairwood Warm Caring Campaign”. To connect with different communities and to understand and address their unique needs, we have also been working with community ambassadors who are loyal Fairwood customers. Through their generous support, we have been able to better interact with our many patrons and truly give back to the community.

Prospects

Going forward, we will continue to enhance Fairwood’s brand equity and strengthen ties with our customers. Towards such objectives, we will aggressively develop our presence in Hong Kong and establish more restaurants in residential areas of Mainland China. In addition to focusing on our core Fairwood brand, we will open more specialty restaurants in Hong Kong.

Most importantly, we will continue to listen to our customers and offer dining experiences that make our customers “Feel Good”, which in turn further strengthens our prospects for long-term and sustainable growth. At the same time, we will foster a happy culture within the Group and within our community, continuing to pursue our mission for both customers and staff – “Enjoy Great Food. Live a Great Life!”.

Financial Review

Liquidity and financial resources

As at 30 September 2017, total assets of the Group amounted to HK\$1,381.8 million (31 March 2017: HK\$1,204.4 million). The Group's working capital was HK\$154.5 million (31 March 2017: HK\$207.7 million), represented by total current assets of HK\$752.4 million (31 March 2017: HK\$625.0 million) against total current liabilities of HK\$597.9 million (31 March 2017: HK\$417.3 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (31 March 2017: 1.5). Total equity was HK\$711.7 million (31 March 2017: HK\$715.3 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2017, the Group had bank deposits and cash amounting to HK\$619.5 million (31 March 2017: HK\$503.0 million), representing an increase of 23.2%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2017, the Group had total bank loans of HK\$2.7 million (31 March 2017: HK\$3.6 million) denominated in Hong Kong dollars. The Group's bank borrowings were on floating rate basis and the maturities of borrowings are up to 2019. The unutilised banking facilities were HK\$187.5 million (31 March 2017: HK\$190.1 million). The gearing ratio of the Group was 0.4% (31 March 2017: 0.5%), which was calculated based on the total bank loans over total equity.

Profitability

Annualised return on average equity was 32.8% (year ended 31 March 2017: 29.5%), being profit for the period attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

Financial risk management

The Group is exposed to foreign currency risk primarily through cash at bank and other financial assets 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.

Charges on the 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\$1.4 million (31 March 2017: HK\$1.4 million).

Commitments

As at 30 September 2017, the Group's outstanding capital commitments was HK\$27.2 million (31 March 2017: HK\$14.1 million).

Contingent liabilities

As at 30 September 2017, 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 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 outstanding utilised facilities by all the subsidiaries that are covered by the guarantees, being HK\$87.3 million (31 March 2017: HK\$85.5 million).

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

Employee information

As at 30 September 2017, the total number of employees of the Group was approximately 5,600 (31 March 2017: 5,300). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

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

DIVIDEND

The Board declared an interim dividend of HK37.0 cents (2016: HK34.0 cents) per share for the six months ended 30 September 2017 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 15 December 2017. The declared dividend represented a distribution of approximately 40% (2016: 42%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 29 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 13 December 2017 to Friday, 15 December 2017 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 12 December 2017 for registration.

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

During the six months ended 30 September 2017, 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 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 2017, save and except that the Chairman and the Managing Director (Chief Executive Officer) of the Company are not subject to retirement by rotation under the Bye-laws of the Company.

Code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; however, the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-laws of the Company. The Board considers that the exemption of both the Chairman and the Managing Director (the Chief Executive Officer) of the Company from such retirement by rotation provisions would provide the Group with strong and consistent leadership, 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 four 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 2017.

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 of the Company. Following specific enquiry by the Company, all Directors of the Company confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 September 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.fairwoodholdings.com.hk) and the Stock Exchange (www.hkex.com.hk). The interim report of the Company for the six months ended 30 September 2017 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, 28 November 2017

As at the date of this announcement, the Directors of the Company are:

Executive Directors: Mr Dennis Lo Hoi Yeung (Executive Chairman), Mr Chan Chee Shing (Chief Executive Officer) and Ms Mak Yee Mei; and

Independent Non-executive Directors: Mr Ng Chi Keung, Mr Joseph Chan Kai Nin, Dr Peter Lau Kwok Kuen, Mr Tony Tsoi Tong Hoo and Mr Peter Wan Kam To.