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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 2015

HIGHLIGHTS

- Profit for the period rose by 35.4% from HK\$75.3 million to HK\$102.0 million
- Profit for the period before the gain on disposal of properties amounted to HK\$90.2 million, increased by 19.8%
- Turnover increased by 4.2% to HK\$1,176.1 million
- Gross profit margin increased by 1.4 percentage point to 16.4%
- Annualized return on average equity¹ was 29.3%
- Basic earnings per share were HK80.63 cents, up 34.9%
- The Board of Directors declared an interim dividend of HK31.0 cents per share and a special dividend of HK9.0 cents per share, totalling HK40.0 cents

Note 1: Annualized return on average equity is defined as profit for the period attributable to equity shareholders of the Company before the net gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the reporting period and then 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 2015 together with the comparative figures for the six months ended 30 September 2014. 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 INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015 – UNAUDITED

		Six months ended	
		30 September	
		2015	2014
	Note	HK\$'000	HK\$'000
Turnover	3	1,176,124	1,128,766
Cost of sales		<u>(983,234)</u>	<u>(959,111)</u>
Gross profit		192,890	169,655
Other revenue	4	4,149	3,081
Other net (loss)/income	4	(4,096)	592
Net gain on disposal of non-current assets held for sale	10	11,710	–
Selling expenses		(14,102)	(17,325)
Administrative expenses		(61,297)	(53,238)
Valuation (loss)/gain on investment properties		(1,420)	2,692
Impairment losses on fixed assets		(6,704)	(8,355)
Profit from operations		121,130	97,102
Finance costs	5(a)	<u>(97)</u>	<u>(36)</u>
Profit before taxation	5	121,033	97,066
Income tax	6	<u>(19,080)</u>	<u>(21,757)</u>
Profit for the period attributable to equity shareholders of the Company		<u>101,953</u>	<u>75,309</u>
Earnings per share	8		
Basic		<u>HK80.63 cents</u>	<u>HK59.78 cents</u>
Diluted		<u>HK80.13 cents</u>	<u>HK59.35 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015 – UNAUDITED

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period attributable to equity shareholders of the Company	101,953	75,309
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of the financial statements of Mainland China subsidiaries	<u>(1,884)</u>	<u>206</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>100,069</u>	<u>75,515</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2015 – UNAUDITED

		At 30 September 2015 <i>HK\$'000</i>	At 31 March 2015 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Fixed assets			
– Investment properties		39,360	40,780
– Other property, plant and equipment		348,683	335,403
– Interests in leasehold land held for own use under operating leases		<u>6,722</u>	<u>6,828</u>
		394,765	383,011
Goodwill		1,001	1,001
Rental deposits paid		55,234	51,470
Other financial assets	9	8,528	8,835
Deferred tax assets		<u>427</u>	<u>427</u>
		<u>459,955</u>	<u>444,744</u>
Current assets			
Non-current assets held for sale	10	–	19,283
Inventories		39,105	38,517
Trade and other receivables	11	65,128	60,373
Other financial assets	9	–	89
Current tax recoverable		–	72
Bank deposits and cash		<u>581,619</u>	<u>419,022</u>
		<u>685,852</u>	<u>537,356</u>
Current liabilities			
Trade and other payables	12	342,430	290,972
Dividends payable		66,044	–
Bank loans		4,387	4,387
Current tax payable		25,950	12,824
Provisions	13	<u>11,822</u>	<u>11,664</u>
		<u>450,633</u>	<u>319,847</u>

	At	At
	30 September	31 March
	2015	2015
<i>Note</i>	HK\$'000	HK\$'000
Net current assets	235,219	217,509
	<u>235,219</u>	<u>217,509</u>
Total assets less current liabilities	695,174	662,253
	<u>695,174</u>	<u>662,253</u>
Non-current liabilities		
Bank loans	4,443	6,636
Deferred tax liabilities	15,987	16,924
Rental deposits received	2,007	1,765
Provisions	13 39,769	36,764
	<u>62,206</u>	<u>62,089</u>
	<u>62,206</u>	<u>62,089</u>
Net assets	632,968	600,164
	<u>632,968</u>	<u>600,164</u>
Capital and reserves		
Share capital	126,815	126,341
Reserves	506,153	473,823
	<u>632,968</u>	<u>600,164</u>
Total equity	632,968	600,164
	<u>632,968</u>	<u>600,164</u>

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 financial information relating to the financial year ended 31 March 2015 that is included in the interim financial results as being previously reported information as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2015 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 June 2015.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- *Amendments to HKAS 19, Employee benefits*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 TURNOVER AND SEGMENT REPORTING

(a) *Turnover*

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

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

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Sale of food and beverages	1,172,390	1,125,956
Property rental	3,734	2,810
	<hr/>	<hr/>
	1,176,124	1,128,766
	<hr/> <hr/>	<hr/> <hr/>

(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*

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

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

Performance is measured based on segment profit before taxation. Items not specifically attributable to individual segments are not allocated to the 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.

For the six months ended 30 September	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,101,210	1,029,966	71,180	95,990	3,734	2,810	1,176,124	1,128,766
Inter-segment revenue	-	-	-	-	2,500	2,500	2,500	2,500
Reportable segment revenue	1,101,210	1,029,966	71,180	95,990	6,234	5,310	1,178,624	1,131,266
Reportable segment profit/(loss)	109,295	102,597	2,161	(4,664)	5,951	4,497	117,407	102,430

(ii) *Reconciliations of reportable segment profit*

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Profit		
Reportable segment profit before taxation	117,407	102,430
Net gain on disposal of non-current assets held for sale	11,710	-
Change in fair value of other financial assets at fair value through profit or loss	-	170
Change in fair value of other financial liabilities at fair value through profit or loss	40	129
Valuation (loss)/gain on investment properties	(1,420)	2,692
Impairment losses on fixed assets	(6,704)	(8,355)
Consolidated profit before taxation	121,033	97,066

4 OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Other revenue</i>		
Interest income	<u>4,149</u>	<u>3,081</u>
<i>Other net (loss)/income</i>		
Electric and gas range incentives	1,506	1,913
Profit on sale of redemption gifts	596	647
Net foreign exchange (loss)/gain	(5,270)	1,704
Net loss on disposal of fixed assets	(1,702)	(859)
Compensation for early termination of tenancy leases	-	(3,601)
Others	774	788
	<u>(4,096)</u>	<u>592</u>

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) <i>Finance costs:</i>		
Interest on bank borrowings	137	335
Change in fair value of other financial liabilities at fair value through profit or loss	(40)	(129)
Change in fair value of other financial assets at fair value through profit or loss	-	(170)
	<u>97</u>	<u>36</u>
(b) <i>Other items:</i>		
Cost of inventories (<i>Note</i>)	294,100	292,614
Depreciation of fixed assets	38,972	41,161
Amortisation of interests in leasehold land held for own use under operating leases	106	106
Equity-settled share-based payment expenses	1,127	78
	<u>334,305</u>	<u>375,160</u>

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

6 INCOME TAX

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
<i>Current tax</i>		
Provision for Hong Kong Profits Tax	20,017	16,667
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(937)	5,090
	<u>19,080</u>	<u>21,757</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 September 2015.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2015 and 2014 as the Group's Mainland China operations sustained a loss for taxation purpose for both periods.

7 DIVIDENDS

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Interim dividend declared and payable after the interim period of HK31.0 cents (2014: HK28.0 cents) per share	39,313	35,370
Special interim dividend declared and payable after the interim period of HK9.0 cents (2014: Nil) per share	11,413	–
	<u>50,726</u>	<u>35,370</u>

The interim and special interim dividends have 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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2015, approved and payable during the following interim period, of HK52.0 cents (year ended 31 March 2014: HK39.0 cents) per share	66,044	49,295

In respect of the final dividend for the year ended 31 March 2015, there is a difference of HK\$347,000 (year ended 31 March 2014: HK\$364,000) between the final dividend disclosed in the 2015 annual financial statements and amounts approved and payable during the period. The difference represents dividends attributable to (i) shares repurchased and (ii) new shares issued upon the exercise of share options, before the closing date of the Register of Members.

8 EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 September 2015 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$101,953,000 (2014: HK\$75,309,000) and the weighted average number of ordinary shares of 126,453,000 shares (2014: 125,974,000 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 2015 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$101,953,000 (2014: HK\$75,309,000) and the weighted average number of ordinary shares of 127,237,000 shares (2014: 126,899,000 shares), calculated as follows:

	Six months ended	
	30 September	
	2015	2014
	<i>Number</i>	<i>Number</i>
	<i>of shares</i>	<i>of shares</i>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	126,453	125,974
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	784	925
Weighted average number of ordinary shares used in calculating diluted earnings per share	127,237	126,899

9 OTHER FINANCIAL ASSETS

	At 30 September 2015 <i>HK\$'000</i>	At 31 March 2015 <i>HK\$'000</i>
Non-current financial assets		
Held-to-maturity debt security		
– Unlisted but quoted	8,528	8,835
Current financial assets		
Forward foreign exchange contract	–	89
	<u>8,528</u>	<u>8,924</u>

The debt security was issued by a financial institution in Mainland China, denominated in Renminbi, bore interest at a rate of 3.6% per annum and had a term of five years from 13 November 2013 to 13 November 2018.

10 NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 March 2015, a sale and purchase agreement was entered into with a third party to dispose of certain leasehold land and buildings and investment properties with net proceeds of HK\$30,993,000. These properties were presented as non-current assets held for sale as at 31 March 2015. The transaction was completed on 30 April 2015 and a net gain on disposal of HK\$11,710,000 was recognised during the six months ended 30 September 2015. Land and buildings revaluation reserve related to the disposed properties amounting to HK\$241,000 were transferred to retained profits.

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 2015 <i>HK\$'000</i>	At 31 March 2015 <i>HK\$'000</i>
1 to 30 days	2,645	1,831
31 to 90 days	<u>1</u>	<u>327</u>
	<u>2,646</u>	<u>2,158</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 2015 <i>HK\$'000</i>	At 31 March 2015 <i>HK\$'000</i>
Creditors and accrued expenses	321,802	267,470
Receipts in advance and deferred income	20,545	23,188
Derivative financial instruments	38	78
Rental deposits received	45	236
	<u>342,430</u>	<u>290,972</u>

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

	At 30 September 2015 <i>HK\$'000</i>	At 31 March 2015 <i>HK\$'000</i>
1 to 30 days	99,475	86,944
31 to 90 days	10,397	454
91 to 180 days	2,184	61
181 to 365 days	120	104
Over one year	688	668
	<u>112,864</u>	<u>88,231</u>

13 PROVISIONS

	At 30 September 2015 <i>HK\$'000</i>	At 31 March 2015 <i>HK\$'000</i>
Provision for long service payments	12,500	10,700
Provision for reinstatement costs for rented premises	39,091	37,728
	<u>51,591</u>	48,428
Less: Amount included under "current liabilities"	<u>(11,822)</u>	<u>(11,664)</u>
	<u>39,769</u>	<u>36,764</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

For the six months ended 30 September 2015, the Group achieved favourable turnover totalling HK\$1,176.1 million, up 4.2% from HK\$1,128.8 million compared with the corresponding period last year. Gross profit margin increased to 16.4%. Profit for the period attributable to equity shareholders of the Company rose by 35.4% from HK\$75.3 million to HK\$102.0 million. Profit for the period before the net gain on disposal of non-current assets held for sale amounted to HK\$90.2 million, up by 19.8%. Basic earnings per share were HK80.63 cents (2014: HK59.78 cents).

Business review

Hong Kong

Capitalising on strong brand power, the Group's Hong Kong business reported satisfactory gains in same store sales and average spending. Such growth was also the result of continual upgrades to our signature dishes and bringing exciting new products to consumers. In addition, our recognizable, vibrant dining environment has become synonymous with the Fairwood brand. We have expanded our network by six stores, accounting for 5% of the total number of stores in operation during the review period. In line with our proactive development strategy, the management has targeted opening stores in locations that are less susceptible to high rental pressure.

Aside from network expansion, the Group's unique, multifaceted business model represents another important component that has contributed to our encouraging performance. The model comprises a global sourcing strategy, effective menu planning that addresses the needs of customers, flexible manpower scheduling, and support from the SAP Enterprise Resources Planning ("ERP") system and a central food processing plant. It is worth noting that the plant is now able to produce differentiated products that are unique to the market. The plant has also been further optimised to achieve better quality with cost efficiency, enabling us to manage food and labour costs more effectively. This supports the streamlining of business operations, thereby increasing margins and profit.

With regards to the specialty restaurant segment, the existing dining concepts have developed at a healthy pace and established a viable business model. Consequently, each of the specialty restaurant brands achieved growth and sustainable profit.

To further bolster our Hong Kong business, the management will introduce new specialty restaurants in the coming half year while remaining vigilant towards potential market pressures. The opening of more specialty stores will continue in the subsequent financial years, as the new businesses gain traction.

As our Group continues to expand, we are becoming more conscious of growing our talented workforce. Consequently, the management has sought to provide our staff with comprehensive training in customer service, market understanding and communication – knowledge that is essential for providing products and services of the highest quality. Such training is also consistent with the Group’s happy culture, which helps improve staff retention rate and job satisfaction.

Mainland China

The management has rationalised the Group’s business in Mainland China by closing three underperforming stores and improving same store sales growth, which has resulted in its return to profitability. The Group will explore opportunities to open two new stores in middle-income residential neighbourhoods in order to tap a more stable customer base.

On the production front, Fairwood formed an alliance with a strategic partner during the review period. The initiative has led to the more efficient operation of the Group’s food processing plant in Mainland China, which has been an important base for supporting local operations and will complement its coming expansion program. All in all, the collaboration has resulted in an appreciable improvement in cost control and overall food quality.

Network

During the review period, the Group opened 6 new fast food stores in Hong Kong. As of 30 September 2015, the Group had a total of 119 stores in operation in Hong Kong, including 114 fast food stores and 5 specialty restaurants. In Mainland China, the Group operates 11 fast food stores.

Prospect

Despite changing market dynamics and concerns over labour and food costs, the management remains optimistic about the overall outlook of the food and beverage industry in Hong Kong and Mainland China, and believes that there is potential for further business growth and expansion.

Fairwood is committed to offering a happy dining experience to its customers by providing quality dishes and personalised services to fulfil our customers’ needs. To further enhance the Fairwood corporate image, we will actively tap into new market segments and prudently introduce new dining concepts in Hong Kong.

Adhering to our corporate mission of “Enjoy Great Food. Live a Great Life”, we will dedicate more resources to improve physical access to the elderly and the disabled. We will also organise various corporate social responsibility events targeting those in need. These will include the “Care for Seniors Campaign”, the “Fairwood \$4 Meal Campaign” and the “Fairwood Gives Warmth Campaign”.

As we look forward, we remain confident of our ability to grasp new opportunities by leveraging the dynamism of the Fairwood brand. Furthermore, we are upbeat about the continued success of our specialty restaurant business model, our upcoming new dining concepts that will allow us to further address emerging market needs, and our ability to turn around business operations in Mainland China. We believe that Fairwood will continue to successfully respond to changing market conditions to drive growth and deliver favourable shareholder returns.

Financial Review

Liquidity and financial resources

As at 30 September 2015, total assets of the Group amounted to HK\$1,145.8 million (31 March 2015: HK\$982.1 million). The Group's working capital was HK\$235.2 million (31 March 2015: HK\$217.5 million), represented by total current assets of HK\$685.8 million (31 March 2015: HK\$537.4 million) against total current liabilities of HK\$450.6 million (31 March 2015: HK\$319.9 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.5 (31 March 2015: 1.7). Total equity was HK\$633.0 million (31 March 2015: HK\$600.2 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2015, the Group had bank deposits and cash amounting to HK\$581.6 million (31 March 2015: HK\$419.0 million), representing an increase of 38.8%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2015, the Group had total bank loans of HK\$8.8 million (31 March 2015: HK\$11.0 million) denominated in Hong Kong dollars. All of the Group's bank borrowings were subject to floating rate basis and the maturity of borrowings are up to 2019. The unutilised banking facilities were HK\$223.9 million (31 March 2015: HK\$258.7 million). The gearing ratio of the Group was 1.4% (31 March 2015: 1.8%), which was calculated based on the total bank loans over total equity.

Profitability

Annualized return on average equity was 29.3% (year ended 31 March 2015: 25.4%), being profit for the period attributable to equity shareholders of the Company before the net gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the reporting period and then 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.

For the purpose of offsetting the exposure of the interest rate fluctuation, the Group had entered into a forward interest rate swap with a financial institution. The swap was arranged to match the maturity of the repayment schedule of a bank loan with the maturity over one year and had the fixed swap rate of 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\$1.6 million (31 March 2015: HK\$1.6 million).

Commitments

As at 30 September 2015, the Group's outstanding capital commitments was HK\$41.4 million (31 March 2015: HK\$25.4 million).

Contingent liabilities

As at 30 September 2015, 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\$75.5 million (31 March 2015: HK\$71.9 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 2015, the total number of employees of the Group was approximately 4,700 (31 March 2015: 4,500). 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.

DIVIDENDS

The Board declared an interim dividend of HK31.0 cents (2014: HK28.0 cents) per share and a special interim dividend of HK9.0 cents (2014: Nil) per share for the six months ended 30 September 2015 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 16 December 2015. Together with the special interim dividend, total declared dividends represent a distribution of approximately 50% (2014: 47%) of the Group's profit for the period attributable to equity shareholders. The interim dividend and special interim dividend will be paid on or before Wednesday, 30 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14 December 2015 to Wednesday, 16 December 2015 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all transfers 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 Friday, 11 December 2015 for registration.

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

During the six months ended 30 September 2015, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>HK\$</i>
July 2015	204,000	22.60	21.90	4,549,475
August 2015	120,000	22.00	20.50	2,596,900
September 2015	72,000	20.75	20.65	1,491,250
	<u>396,000</u>			<u>8,637,625</u>

The above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of HK\$8,242,000 and HK\$24,000 respectively were charged to the Group's share premium account.

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2015, 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 one Non-executive Director and three Independent Non-executive Directors of the Company and reports to the Board. The audit committee has reviewed with the management and the Company's external auditors the unaudited financial information and interim results for the six months ended 30 September 2015.

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 2015.

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 2015 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, 26 November 2015

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;

Non-executive Director: Mr Ng Chi Keung; and

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