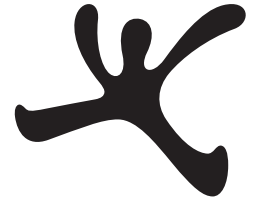


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FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

HIGHLIGHTS

- Revenue increased by 4.8% to HK\$1,473.0 million
- Profit for the period decreased by 14.0% from HK\$117.1 million to HK\$100.7 million
- Annualised return on average equity¹ was 26.7%, dropped by 2.5 percentage points
- Basic earnings per share were HK78.40 cents, decreased by 14.6%
- 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 2018 together with the comparative figures for the six months ended 30 September 2017. The interim financial results are unaudited, but have been reviewed by 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”). In addition, the interim financial results have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018-UNAUDITED

		Six months ended	
		30 September	
		2018	2017
	<i>Note</i>	HK\$’000	HK\$’000
Revenue	3	1,472,992	1,405,728
Cost of sales		<u>(1,271,009)</u>	<u>(1,192,923)</u>
Gross profit		201,983	212,805
Other revenue	4	5,248	3,657
Other net (loss)/gain	4	(3,190)	4,718
Selling expenses		(15,126)	(15,018)
Administrative expenses		(64,814)	(65,730)
Valuation (losses)/gains on investment properties		(2,150)	1,680
Impairment losses on property, plant and equipment		<u>(2,756)</u>	<u>(5,085)</u>
Profit from operations		119,195	137,027
Finance costs	5(a)	<u>(23)</u>	<u>(31)</u>
Profit before taxation	5	119,172	136,996
Income tax	6	<u>(18,512)</u>	<u>(19,908)</u>
Profit for the period attributable to equity shareholders of the Company		<u>100,660</u>	<u>117,088</u>
Earnings per share	8		
Basic		<u>HK78.40 cents</u>	<u>HK91.75 cents</u>
Diluted		<u>HK77.73 cents</u>	<u>HK90.60 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018 – UNAUDITED

	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to equity shareholders of the Company	100,660	117,088
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>(5,262)</u>	<u>2,216</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>95,398</u>	<u>119,304</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018 – UNAUDITED

		At 30 September 2018 <i>HK\$'000</i>	At 31 March 2018 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Investment properties		43,880	46,030
Other property, plant and equipment		484,870	493,838
Interests in leasehold land held for own use under operating leases		<u>6,087</u>	<u>6,192</u>
		534,837	546,060
Goodwill		1,001	1,001
Rental deposits paid		72,233	71,602
Other financial assets	9	7,850	7,785
Deferred tax assets		<u>107</u>	<u>107</u>
		<u>616,028</u>	<u>626,555</u>
Current assets			
Inventories		40,566	40,500
Trade and other receivables	10	101,706	87,747
Other financial assets	9	26,378	16,246
Current tax recoverable		89	67
Bank deposits and cash		<u>615,651</u>	<u>520,597</u>
		<u>784,390</u>	<u>665,157</u>
Current liabilities			
Trade and other payables	11	413,648	430,890
Dividends payable		135,208	–
Bank loan		1,147	1,720
Current tax payable		22,490	10,491
Provisions	12	<u>12,722</u>	<u>11,774</u>
		<u>585,215</u>	<u>454,875</u>
Net current assets		<u>199,175</u>	<u>210,282</u>
Total assets less current liabilities		<u>815,203</u>	<u>836,837</u>

		At 30 September 2018 <i>HK\$'000</i>	At 31 March 2018 <i>HK\$'000</i>
Non-current liabilities			
Bank loan		–	143
Deferred tax liabilities		21,386	24,614
Rental deposits received		2,094	2,165
Provisions	12	<u>46,971</u>	<u>46,809</u>
		<u><u>70,451</u></u>	<u><u>73,731</u></u>
NET ASSETS		<u><u>744,752</u></u>	<u><u>763,106</u></u>
Capital and reserves			
Share capital		128,770	127,793
Reserves		<u>615,982</u>	<u>635,313</u>
TOTAL EQUITY		<u><u>744,752</u></u>	<u><u>763,106</u></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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 2018 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 2018 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 2018.

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 9, *Financial instruments*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets. Details of the changes in accounting policies are discussed below for HKFRS 9:

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell nonfinancial items.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets.

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

The following table shows the original measurement categories for each class of the Group’s financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018 <i>HK\$’000</i>	Reclassification <i>HK\$’000</i>	HKFRS 9 carrying amount at 1 April 2018 <i>HK\$’000</i>
Debt securities at amortised cost	<u>–</u>	<u>24,031</u>	<u>24,031</u>
Held-to-maturities debt securities under HKAS 39	<u>24,031</u>	<u>(24,031)</u>	<u>–</u>

The measurement categories for all financial liabilities remain the same.

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	
	2018	2017
	HK\$'000	HK\$'000
Sale of food and beverages	1,469,135	1,402,113
Property rental	3,857	3,615
	<u>1,472,992</u>	<u>1,405,728</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.

	Hong Kong		Mainland China		Other segments		Total	
	restaurants		restaurants					
	2018	2017	2018	2017	2018	2017	2018	2017
For the six months ended 30 September	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,408,393	1,340,875	60,742	61,238	3,857	3,615	1,472,992	1,405,728
Inter-segment revenue	<u>–</u>	–	–	–	2,483	2,398	2,483	2,398
Reportable segment revenue	<u>1,408,393</u>	<u>1,340,875</u>	<u>60,742</u>	<u>61,238</u>	<u>6,340</u>	<u>6,013</u>	<u>1,475,475</u>	<u>1,408,126</u>
Reportable segment profit	<u>110,055</u>	<u>130,287</u>	<u>6,412</u>	<u>5,384</u>	<u>7,611</u>	<u>4,730</u>	<u>124,078</u>	<u>140,401</u>

Segment assets information is not reported to or used by the Group's most senior executive management.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank borrowings	<u>23</u>	<u>31</u>
(b) Other items		
Cost of inventories (<i>Note</i>)	344,960	332,169
Depreciation	50,421	47,815
Amortisation of interests in leasehold land held for own use under operating leases	105	106
Equity-settled share-based payment expenses	<u>1,256</u>	<u>730</u>

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

6 INCOME TAX

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	21,740	21,455
Deferred tax		
Origination and reversal of temporary differences	<u>(3,228)</u>	<u>(1,547)</u>
	<u>18,512</u>	<u>19,908</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 September 2018.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2018 as the Group's Mainland China operations sustained a loss for taxation purpose. No provision has been made for 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.

7 DIVIDENDS

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

	Six months ended 30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and payable after the interim period of HK37.0 cents (2017: HK37.0 cents) per share	<u>47,645</u>	<u>47,313</u>

In respect of the dividend for the six months ended 30 September 2017, there is a difference of HK\$4,000 between the interim dividend disclosed in the 2017/2018 interim financial statements and amounts approved and payable after the interim 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.

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	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2018, approved and payable during the following interim period, of HK105.0 cents (year ended 31 March 2017: HK58.0 cents) per share	135,208	74,157
Special final dividend in respect of the previous financial year ended 31 March 2018, approved and payable during the following interim period, of nil cent (year ended 31 March 2017: HK50.0 cents) per share	<u>—</u>	<u>63,928</u>
	<u>135,208</u>	<u>138,085</u>

In respect of the dividend for the year ended 31 March 2018, there is a difference of HK\$1,025,000 (year ended 31 March 2017: HK\$748,000) between the final dividend and special final dividend disclosed in the 2018 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 2018 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$100,660,000 (2017: HK\$117,088,000) and the weighted average number of ordinary shares of 128,393,000 shares (2017: 127,622,000 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 2018 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$100,660,000 (2017: HK\$117,088,000) and the weighted average number of ordinary shares of 129,500,000 shares (2017: 129,232,000 shares), calculated as follows:

	Six months ended	
	30 September	
	2018	2017
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	128,393	127,622
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	<u>1,107</u>	<u>1,610</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>129,500</u>	<u>129,232</u>

9 OTHER FINANCIAL ASSETS

	At 30 September 2018 HK\$'000	At 31 March 2018 HK\$'000
Non-current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	7,850	7,785
Current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	<u>26,378</u>	<u>16,246</u>
	<u>34,228</u>	<u>24,031</u>

The non-current debt securities represented medium term notes (a) issued by a financial institution in Mainland China, denominated in United States dollars, bears interests at rates of 2.8% per annum with the maturity up to 20 October 2020; and (b) 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 securities represented medium term notes (a) issued by financial institutions in Mainland China, denominated in Renminbi, bear interests at rates of 3.6% and 3.8% per annum with maturity dates of 13 November 2018 and 19 November 2018 respectively; and (b) certificate of deposit issued by a financial institution in Sydney, Australia, denominated in Renminbi, bears interest at a rate of 3.6% per annum with maturity date of 29 July 2019.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2018 and 30 September 2018.

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 2018 HK\$'000	At 31 March 2018 HK\$'000
1 to 30 days	10,738	7,553
31 to 90 days	<u>540</u>	<u>53</u>
	<u>11,278</u>	<u>7,606</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 2018 <i>HK\$'000</i>	At 31 March 2018 <i>HK\$'000</i>
Creditors and accrued expenses	384,779	401,464
Receipts in advance and deferred income	28,748	29,377
Rental deposits received	<u>121</u>	<u>49</u>
	<u>413,648</u>	<u>430,890</u>

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

	At 30 September 2018 <i>HK\$'000</i>	At 31 March 2018 <i>HK\$'000</i>
1 to 30 days	112,023	116,504
31 to 90 days	4,123	334
91 to 180 days	655	91
181 to 365 days	16	8
Over one year	<u>338</u>	<u>362</u>
	<u>117,155</u>	<u>117,299</u>

12 PROVISIONS

	At 30 September 2018 <i>HK\$'000</i>	At 31 March 2018 <i>HK\$'000</i>
Provision for long service payments	12,471	12,273
Provision for reinstatement costs for rented premises	<u>47,222</u>	<u>46,310</u>
	59,693	58,583
Less: Amount included under "current liabilities"	<u>(12,722)</u>	<u>(11,774)</u>
	<u>46,971</u>	<u>46,809</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

For the six months ended 30 September 2018, the revenue of the Group recorded a modest increase of 4.8% to HK\$1,473.0 million (2017: HK\$1,405.7 million). Gross profit margin was 13.7% (2017: 15.1%). The profit attributable to equity shareholders of the Company was HK\$100.7 million (2017: HK\$117.1 million), dropped by 14.0% when compared with the last corresponding period. Basic earnings per share were HK78.40 cents (2017: HK91.75 cents).

The Feel Good Movement

At Fairwood, “customer-centricity” has always been one of our core values. To this end, we launched the “Feel Good Movement” in 2016, sharing our passion for delivering exceptional dining experiences with our customers and community. In just two years, we have received remarkably favourable feedback from the public. We trust that the Movement will gain even greater traction as we continue to offer quality food, a greater variety of menu items, heartfelt service and pleasant dining environments.

Many of our customers are now requesting healthier food options to meet their lifestyle needs; hence we have been increasing the number of nutritious dishes on offer. These include dishes in the “No-MSG-added” series, “Tasty and Green” series and “Wholesome Delight” series. Furthermore, the industry-first “Low-sodium” series that we introduced last year has been warmly received by our customers. We have recently launched more “Low-sodium” dishes which feature lean and healthy meat choices, such as ostrich, which is high in protein and low in fat, calories and cholesterol, allowing our customers to enjoy delicious meals while also adhering to the World Health Organisation’s recommendation of consuming less than one teaspoon of salt per day.

Our commitment to customer-centricity is also expressed through the “Delivered to Your Table” service, which we pioneered. Since its introduction, the service has been highly acclaimed, particularly by the elderly, as they can now enjoy their food with more comfort and ease of access. To provide even more convenience to our patrons, the “Delivered to Your Table” service, which was originally limited to dinner hours, has now been extended to dishes that are made to order, as well as to individuals with special needs.

To elevate our dining environment, we have introduced our “Third Generation” orange-themed interior design to more restaurants. Created by a young Hong Kong interior designer, the concept incorporates elements of street art, building materials and architectural features that are unique and distinctly Hong Kong, highlighting the city’s inimitable style and underlining Fairwood’s strong local roots. In total, one-third of our restaurants have now been renovated with this new interior design.

While the “Feel Good Movement” strives to create happy customers, it must be complemented by a happy team; which is why we consistently focused on reinforcing a happy culture. Through organised retreats and other incentives, we continue to strengthen the bond with our employees, thus improving retention and encouraging more heartfelt customer service.

As we continue to promote and develop the “Feel Good Movement”, whether by offering more healthy, high-quality dishes to meet our customers’ lifestyle needs, elevating our level of service and instilling pride in our employees, or improving the dining environment in our restaurants, we will do so guided by our corporate mission: “Enjoy Great Food. Live a Great Life!”.

Business review

Hong Kong

During the review period, the revenue of Hong Kong restaurants increased by approximately 5% while the profitability was impacted by the challenging business conditions. Nonetheless, due to our agility, we were able to keep a positive result.

To ensure that our food is always of the highest quality, we have continued to place importance on global sourcing and quality control. The Group’s central food processing plant has played an important role in maintaining consistently high food quality, and achieving it with greater efficiency through automation. Furthermore, we have enhanced our quality control lab, which conducts regular food inspections to ensure that our standards are met.

In view of the labour shortage that is impacting the industry, we have introduced a number of measures, including the nurturing of a happy work culture to increase our staff’s sense of belonging. Correspondingly, we provide development programmes that enable our employees to shape their own career progression, while attracting more young talent to the Group. In addition, a number of activities are held to express appreciation and recognition of our team members’ efforts. We continue to offer flexible scheduling to facilitate our front line staff’s different work hour requirements, supported by the SAP Enterprise Resources Planning (“ERP”) system. Our central food processing plant also provides additional support in terms of streamlining workflow at stores.

The Group has been seeking to further grow its footprint in Hong Kong. During the review period, we opened five new Fairwood restaurants, and continued to execute an expansion plan. Regarding our specialty restaurants, both ASAP and Taiwan Bowl have been well received by our customers and we have listened to their feedback and continuously improved the menu and service provided. In view of this encouraging performance, we are currently seeking suitable locations to expand their respective networks.

Mainland China

Our Mainland China business has been adopting the same “Feel Good Movement” as employed in Hong Kong, which has proven to be successful. The business has also been driven by the public’s strong demand for takeaway food. Plans have been drawn for opening more small-sized restaurants that will mainly cater to takeaway customers. Moreover, the Group will continue to partner with two of the largest local food delivery service providers, namely Meituan and Ele.me. In the coming year, we will continue to focus our expansion on the southern region of Mainland China.

Network

As of 30 September 2018, the Group has a total of 148 stores in operation in Hong Kong, including 138 fast food stores and ten specialty restaurants. In Mainland China, the Group operates ten fast food stores.

Giving back to the community

Engaging and giving back to the community have always been an important part of our business. We have distributed more than 160,000 “Care for Seniors” discount cards since initiating the programme back in 2014. This figure represents approximately 14% of the Senior Citizen Card holders in Hong Kong, and is our way of expressing gratitude for their past contributions to the city’s progress. We have continued to expand other corporate social responsibility (CSR) initiatives, including the “Fairwood Give Warmth Campaign”. We are also proud to be a pioneer in community engagement. Through the efforts of our community ambassadors, we have been able to better understand and appreciate the needs of specific communities and districts, leading to the development of more services and programmes that enhance the dining experience at our stores, particularly for the elderly.

Prospects

Looking ahead, our optimism about the fast food industry in Hong Kong remains unchanged, and we are confident that the Group will achieve encouraging results going forward. To support our growth momentum, we will continue to promote the “Feel Good Movement” to the wider Hong Kong community by offering comprehensive dining experiences for our customers. This will include providing innovative and delicious food, heart-warming service and pleasant dining ambience for all our customers. Furthermore, we will adopt a network expansion strategy in Hong Kong, while taking a more moderate view towards developing our specialty restaurant operations. All in all, we are on course to realising our vision of becoming the most appreciated F&B management group, helping our customers to “Enjoy Great Food. Live a Great Life!” and building a happy and appreciative work environment for our staff.

Financial Review

Liquidity and financial resources

As at 30 September 2018, total assets of the Group amounted to HK\$1,400.4 million (31 March 2018: HK\$1,291.7 million). The Group’s working capital was HK\$199.2 million (31 March 2018: HK\$210.3 million), represented by total current assets of HK\$784.4 million (31 March 2018: HK\$665.2 million) against total current liabilities of HK\$585.2 million (31 March 2018: HK\$454.9 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (31 March 2018: 1.5). Total equity was HK\$744.8 million (31 March 2018: HK\$763.1 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2018, the Group had bank deposits and cash amounting to HK\$615.7 million (31 March 2018: HK\$520.6 million), representing an increase of 18.3%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2018, the Group had total bank loans of HK\$1.1 million (31 March 2018: HK\$1.9 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\$220.0 million (31 March 2018: HK\$213.7 million). The gearing ratio of the Group was 0.2% (31 March 2018: 0.2%), which was calculated based on the total bank loans over total equity.

Profitability

Annualised return on average equity was 26.7% (year ended 31 March 2018: 29.2%), 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\$1.3 million (31 March 2018: HK\$1.3 million).

Commitments

As at 30 September 2018, the Group's outstanding capital commitments was HK\$16.1 million (31 March 2018: HK\$16.8 million).

Contingent liabilities

As at 30 September 2018, 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\$90.2 million (31 March 2018: HK\$93.2 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 2018, the total number of employees of the Group was approximately 5,600 (31 March 2018: 5,600). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

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

DIVIDEND

The Board declared an interim dividend of HK37.0 cents (2017: HK37.0 cents) per share for the six months ended 30 September 2018 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 14 December 2018. The declared dividend represented a distribution of approximately 47% (2017: 40%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Monday, 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 12 December 2018 to Friday, 14 December 2018 (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, 11 December 2018 for registration.

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

During the six months ended 30 September 2018, 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>
September 2018	<u>22,500</u>	27.20	27.15	<u>611,875</u>

The above repurchased shares were cancelled on 22 November 2018 but the nominal value of these shares was not deducted from the issued share capital of the Company as at 30 September 2018.

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 2018, 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 2018.

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 2018.

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 2018 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 2018

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), Ms Mak Yee Mei and Ms Peggy Lee; 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.*