FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

FINANCIAL HIGHLIGHTS

- Turnover increased by 6.0% to HK$741.9 million
- Gross profit margin decreased from last corresponding period's 13.0% to 12.2% but improved from last year's 11.9%
- Profit for the period was HK$46.4 million (2007: HK$52.5 million)
- The Board of Directors declared an interim dividend of HK10.0 cents (2007: HK19.0 cents) per share
- Earnings per share were HK36.75 cents (2007: HK41.02 cents)

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 2008 together with the comparative figures for the period ended 30 September 2007. The results have been reviewed by the Company's auditors, KPMG, and the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 – UNAUDITED

		Six months ended 30 September	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**741,862**	699,593
Cost of sales		**(651,561)**	(608,653)
Gross profit		**90,301**	90,940
Other revenue	*3*	**1,614**	3,806
Other net income	*3*	**6,195**	2,802
Administrative expenses		**(36,688)**	(34,489)
Impairment losses on fixed assets		**–**	(2,327)
Valuation (losses)/gains on investment properties		**(1,030)**	3,122
Profit from operations		**60,392**	63,854
Finance costs	*4(a)*	**(4,989)**	(2,026)
Profit before taxation	*4*	**55,403**	61,828
Income tax	*5*	**(8,985)**	(9,320)
Profit for the period attributable to equity shareholders of the Company		**46,418**	52,508
Dividend payable to equity shareholders of the Company attributable to the interim period	*6*		
Interim dividend		**12,549**	24,246
Earnings per share	*7*		
Basic		**36.75 cents**	41.02 cents
Diluted		**36.68 cents**	40.68 cents

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2008 – UNAUDITED

	Note	At 30 September 2008 HK$'000	At 31 March 2008 HK$'000
Non-current assets			
Fixed assets			
– Investment properties		**44,645**	45,374
– Other property, plant and equipment		**252,471**	261,578
		297,116	306,952
Goodwill		**1,001**	1,001
Rental deposits paid		**31,497**	29,261
Other financial assets	*8*	**17,350**	39,345
Deferred tax assets		**25**	25
		346,989	376,584
Current assets			
Inventories		**44,406**	28,414
Trade and other receivables	*9*	**46,317**	41,933
Current tax recoverable		**294**	294
Other financial assets	*8*	**7,816**	–
Cash and cash equivalents		**120,341**	178,052
		219,174	248,693
Current liabilities			
Trade and other payables	*10*	**170,684**	219,758
Current portion of secured bank loans		**1,850**	3,000
Current tax payable		**13,949**	4,612
Provisions for long service payments and reinstatement costs		**6,171**	4,691
		192,654	232,061
Net current assets		**26,520**	16,632
Total assets less current liabilities		**373,509**	393,216
Non-current liabilities			
Secured bank loans		**–**	350
Deferred tax liabilities		**715**	1,079
Rental deposits received		**1,797**	1,338
Provisions for long service payments and reinstatement costs		**19,056**	20,496
		21,568	23,263
Net assets		**351,941**	369,953
Capital and reserves			
Share capital		**125,487**	127,106
Reserves		**226,454**	242,847
Total equity attributable to equity shareholders of the Company		**351,941**	369,953

Notes

1 Basis of preparation

The interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements. HKICPA has issued a number of interpretations that are effective for accounting periods beginning on or after 1 January 2008. The Group has carried out an assessment of these interpretations and considered that they have no significant impact on the interim financial results.

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

The interim financial results are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. In addition, the interim financial results have been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 March 2008 that is included in the interim financial results as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 July 2008.

2 Segment reporting

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group's main business segments comprise:

Restaurant operation	:	Selling of food and beverages in restaurants.
Property leasing	:	Leasing of premises to generate rental income.

	Restaurant operation		Property leasing		Inter-segment elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**737,240**	692,373	**4,622**	7,220	**–**	–	**741,862**	699,593
Inter-segment revenue	**–**	–	**3,118**	3,118	**(3,118)**	(3,118)	**–**	–
Total	**737,240**	692,373	**7,740**	10,338	**(3,118)**	(3,118)	**741,862**	699,593
Segment result	**54,350**	53,831	**4,891**	6,619	**–**	–	**59,241**	60,450
Unallocated operating income and expenses							**1,151**	3,404
Profit from operations							**60,392**	63,854
Finance costs							**(4,989)**	(2,026)
Income tax							**(8,985)**	(9,320)
Profit for the period							**46,418**	52,508

3 Other revenue and net income

	Six months ended 30 September 2008 HK$'000	2007 HK$'000
Other revenue		
Interest income	**1,614**	3,806
Other net income		
Compensation received on early termination of lease	**7,000**	–
Loss on disposal of fixed assets from early termination of lease	**(2,661)**	–
Net loss on disposal of fixed assets from normal activities	**(406)**	(24)
Profit on sale of redemption gifts	**664**	646
Electric and gas range incentives	**841**	763
Others	**757**	1,417
	6,195	2,802

4 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September 2008 HK$'000	2007 HK$'000
(a) ***Finance costs:***		
Change in fair value of other financial assets at fair value through profit or loss *(note)*	**4,943**	1,867
Interest on bank borrowings	**46**	159
	4,989	2,026

Note: The other financial assets are principal protected structured deposits placed with financial institutions. According to the prevailing accounting standards, certain structured deposits are stated at their fair value at the balance sheet date, with any resultant gain or loss being recognised in the income statement. As such, a change in fair value loss of HK$4.9 million was recognised in the current interim period. Such fair value loss has no impact on the cash flows of the Group. The Group will receive the principal amount in full upon the maturity of these structured deposits.

	2008 HK$'000	2007 HK$'000
(b) ***Other items:***		
Cost of inventories *(note)*	**211,760**	200,122
Depreciation of fixed assets	**24,728**	21,285

Note: This represents food costs

5 Income tax in the consolidated income statement

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Current tax		
Provision for Hong Kong Profits Tax	**9,444**	9,144
The People's Republic of China (the "PRC") taxation	**(95)**	479
	9,349	9,623
Deferred tax		
Origination and reversal of temporary differences	**(364)**	(303)
Total income tax expense	**8,985**	9,320

In June 2008, the Hong Kong Government promulgated a decrease in Profits Tax rate applicable to the Group's operation in Hong Kong from 17.5% to 16.5%. This decrease is taken into account in the preparation of the Group's 2009 interim financial report. Accordingly, the provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 September 2008. PRC taxation represents PRC foreign enterprise income tax for the period and is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions in the PRC.

6 Dividend

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

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Interim dividend declared and payable after the interim period of HK10.0 cents (2007: HK19.0 cents) per share	**12,549**	24,246

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

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

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year ended 31 March 2008, approved and paid during the interim period, of HK29.0 cents (year ended 31 March 2007: HK24.0 cents) per share	**36,547**	30,758
Special dividend in respect of the previous financial year ended 31 March 2008, approved and paid during the interim period, of HK12.0 cents (year ended 31 March 2007: nil) per share	**15,123**	–
	51,670	30,758

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the period ended 30 September 2008 is based on the profit attributable to ordinary equity shareholders of the Company of HK$46,418,000 (2007: HK$52,508,000) and the weighted average of 126,297,000 ordinary shares (2007: 128,012,000 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 September 2008 is based on the profit attributable to ordinary equity shareholders of the Company of HK$46,418,000 (2007: HK$52,508,000) and the weighted average number of ordinary shares of 126,556,000 shares (2007: 129,085,000 shares), calculated as follows:

	Six months ended 30 September	
	2008	2007
	Number of share	Number of share
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**126,297**	128,012
Deemed issue of ordinary shares for nil consideration	**259**	1,073
Weighted average number of ordinary shares used in calculating diluted earnings per share	**126,556**	129,085

8 Other financial assets

Other financial assets represent principal protected structured deposits placed with financial institutions which are subject to call option at the discretion of the financial institutions before the maturity dates. Interest is receivable on a quarterly or annual basis and calculated at fixed or variable rates with reference to market rate fluctuations, including LIBOR, foreign currency exchange rate and equity market performance.

9 Trade and other receivables

Included in trade and other receivables are trade debtors (net of impairment losses) with the following ageing analysis:

	At 30 September 2008 *HK$'000*	At 31 March 2008 *HK$'000*
1 to 30 days	**1,730**	2,817
31 to 90 days	**8**	117
91 to 180 days	**4**	9
	1,742	2,943

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

10 Trade and other payables

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

	At 30 September 2008 *HK$'000*	At 31 March 2008 *HK$'000*
1 to 30 days	**50,144**	63,897
31 to 90 days	**3,982**	3,380
91 to 180 days	**1,076**	406
181 to 365 days	**222**	79
Over one year	**460**	568
	55,884	68,330

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

For the six months ended 30 September 2008, the Group achieved a turnover of HK$741.9 million, representing a modest increase of 6.0% over the corresponding period of last year. Gross profit margin decreased by 0.8 percentage point from the same period last year to 12.2% but had improved by 0.3 percentage point over that of the last financial year ended 31 March 2008. Profit attributable to equity shareholders was HK$46.4 million, which represented a decline of 11.6% year on year. Basic earnings per share were HK36.75 cents (six months ended 30 September 2007: HK41.02 cents).

Business review

During the first six months of FY2008/09, high rental expenses and surging food costs were the major challenges to the operations of the Group in Hong Kong. Escalating rental expenses had slowed down the opening of new shops which directly affected the growth in turnover. Capitalizing on its strong brand and reputation for offering quality food, the Group implemented incremental price adjustments in early 2008 to counter the surging food costs.

In order to achieve higher sales and to offset higher rental and operational costs, emphasis was placed on product development to target at a broader market segment. The “No MSG-added” series is one of the higher margin products that was introduced to attract health-conscious customers. To lower food costs, the Group has sought to adjust its menu as well as improve its sourcing mix.

With regard to its operations in Mainland China, the Group recorded sales growth of 28.7% during the review period. The Group had streamlined procurement policy through which food costs were lowered. Despite the sales growth, management remained watchful of the continual surge in operating costs, rental expenses and the new labour law that resulted in increased staff costs.

During the review period, the Group opened 4 new fast food outlets in Hong Kong. As at 30 September 2008, the Group had a total of 92 outlets in Hong Kong, including 86 fast food outlets, 2 Buddies Cafes and 4 specialty restaurants. In Mainland China, the Group’s operations comprised 12 fast food outlets.

Prospect

Management expects business conditions to remain challenging for the second half of the financial year. The outbreak of the global financial crisis has dampened consumer sentiment while food costs have not shown signs of softening until recently. Nevertheless, management believes that with a sound business model and strong financial position, the Group will be able to meet such challenges over the difficult period ahead.

To improve its infrastructure, the Group has committed to set up a new central processing plant and to implement the second phase of the SAP Enterprise Resources Planning (ERP) System. The new central processing plant, to be established at the Tai Po Industrial Estate, will have production facilities of approximately 6,700 sq. m. and is expected to commence operation by the end of 2009. The Group plans to invest approximately HK$120 million in this project over the next few years. The facilities if operated at full capacity will support extensive product portfolio, optimize production capacity, enhance production efficiency as well as economies of scale. The SAP system will help to monitor food costs and inventory, thus resulting in better control of the operation of the central processing plant.

On network expansion, the Group is committed to realizing its plan to operate 100 fast food outlets in Hong Kong and 40 outlets in Mainland China by 2010. With rental market anticipated to stabilize in Hong Kong, the Group will continue its prudent approach to open outlets at prime locations. Likewise, the Group will also closely monitor the market trend in Mainland China and continue to strengthen its foothold through new openings in the major cities in Southern China.

Moving forward, Fairwood will focus on maintaining sales growth by expanding its product portfolio to include innovative and high-end products to attract a broader customer base. The Group will improve on providing quality products and services at affordable prices to customers while at the same time seek to enhance its margin by controlling costs through advanced operating systems.

Financial Review

Liquidity and financial resources

At 30 September 2008, the Group had total assets of HK$566.2 million (31 March 2008: HK$625.3 million). The Group's working capital was HK$26.5 million (31 March 2008: HK$16.6 million), represented by total current assets of HK$219.2 million (31 March 2008: HK$248.7 million) against total current liabilities of HK$192.7 million (31 March 2008: HK$232.1 million). The current ratio, being the proportion of total current assets against total current liabilities, was 1.1 (31 March 2008: 1.1). Total equity attributable to equity shareholders of the Company was HK$351.9 million (31 March 2008: HK$370.0 million).

The Group continued to maintain a strong financial position. At 30 September 2008, the Group had cash and cash equivalents amounting to HK$120.3 million (31 March 2008: HK$178.1 million). The decrease in cash and cash equivalents at 30 September 2008 was mainly due to the payment of a special dividend of HK$15.1 million in respect of the previous financial year ended 31 March 2008 to mark the Group's 35th anniversary, the payment of HK$14.3 million for the repurchase of the Company's own shares during the six months ended 30 September 2008 and the increase in buffer inventories of HK$16.0 million as compared with the inventory balance at 31 March 2008 to protect the Group from the global increase in raw material costs and unstable supplies. With the recent stabilization of raw material prices, the inventory is resuming to normal level, as a result of which the cash and cash equivalents will be improved.

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2008, the Group had total bank loans of HK$1.9 million (31 March 2008: HK$3.4 million) which was denominated in Hong Kong dollars. The unutilised banking facilities were HK$ 317.5 million (31 March 2008: HK$274.3 million). The gearing ratio of the Group was nil (31 March 2008: 0.1%), which was calculated based on the non-current bank loans over total equity attributable to equity shareholders of the Company.

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

Charges on Group's assets
At 30 September 2008, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounting to HK$43.9 million (31 March 2008: HK$59.8 million).

Commitments
The Group's capital commitments outstanding at 30 September 2008 was HK$142.2 million (31 March 2008: HK$2.4 million). The increase is primarily due to an amount of HK$116.6 million to be invested in setting up a new central food processing plant to replace the existing one in operation to cope with the Group's long term business growth. On 26 November 2008, the Group has accepted an offer from Hong Kong Science and Technology Parks Corporation for granting a site, with land and building, at Tai Po Industrial Estate for setting up the new central food processing plant.

Contingent liabilities
At 30 September 2008, guarantees are given to banks by the Company in respect of mortgage loans and other banking facilities extended to certain wholly-owned subsidiaries.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the balance sheet date under the guarantee is the amount of the facilities drawn down by all the subsidiaries that are covered by the guarantee, being HK$29.2 million (31 March 2008: HK$31.9 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
At 30 September 2008, the total number of employees of the Group was approximately 4,100. Employees' remunerations are commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually basing on performance appraisals and other relevant factors.

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

INTERIM DIVIDEND

The Board declared an interim dividend of HK10.0 cents (2007: HK19.0 cents) per share for the six months ended 30 September 2008 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17 December 2008. This represents a distribution of approximately 27% of the Group's profit attributable to equity shareholders. The interim dividend will be paid on or before Wednesday, 24 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 December 2008 to Wednesday, 17 December 2008, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 15 December 2008 for registration.

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

During the period, the Company repurchased its owned shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	*HK$*	*HK$'000*
May 2008	1,181,500	8.78	8.70	10,307
September 2008	537,500	7.60	6.25	3,912
	1,719,000			14,219

The above repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal values of these shares. The premium and transaction costs paid on the repurchase of the shares of HK$12,500,000 and HK$65,000 respectively were charged to the Group's reserves.

Saved as disclosed above, there were no other purchases, sales or redemption 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 Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008, except that (i) the roles of Chairman and Chief Executive of the Company are vested in the same person (Code Provision A.2.1); and (ii) the Chairman and/or Managing Director of the Company are not subject to retirement by rotation (Code Provision A.4.2).

Currently, Mr Dennis Lo Hoi Yeung ("Mr Lo") holds both positions of Chairman and Chief Executive. In view of the extensive experience of Mr Lo in the industry and the fact that day-to-day management of the Group is led by him, the Board believes that vesting the roles of both Chairman and Chief Executive in Mr Lo provides the Group with strong and consistent leadership, efficient usage of resources and enables effective planning, formulation and implementation of long-term strategies and business plans. The Board considers that the balance of power and authority is adequately ensured by the operation of the Board. For the same reasons set out herein, the Board considers that it would be in the best interest of the Company to continue the exemption of both the Chairman and/or Managing Director from retirement by rotation provisions.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors of the Company and reports to the Board. The audit committee has reviewed with the management and the Company's external auditors the unaudited financial information and interim results for the six months ended 30 September 2008.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the period ended 30 September 2008.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Company (www.fairwood.com.hk) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 September 2008 containing all information required by the Appendix 16 of the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors for their continuous and unfailing support. In particular, I would like to thank Mr Peter Lee Sheung Yam, who had retired on 28 August 2008, for his long and dedicated contributions to the Company during his tenure of service as an Independent Non-Executive Director since 1995. At the same time I also welcome Mr Tony Tsoi Tong Hoo, who joined the Company on 11 November 2008 as an Independent Non-Executive Director. I trust that the Company will benefit from the invaluable financial expertise and experience of Mr Tsoi. Last but not least, I thank the management and staff for their concerted efforts during these challenging times.

By Order of the Board
Dennis Lo Hoi Yeung
Chairman and Chief Executive

Hong Kong, 27 November 2008

As at the date hereof, the Executive Directors of the Company are Mr Dennis Lo Hoi Yeung (Chairman and Chief Executive), Mr Ng Chi Keung and Mr Chan Chee Shing; the Independent Non-Executive Directors are Mr Herald Lau Ling Fai, Mr Joseph Chan Kai Nin, Dr Peter Lau Kwok Kuen and Mr Tony Tsoi Tong Hoo.

Website: www.fairwood.com.hk