FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

HIGHLIGHTS

- Record high profit to HK$123.8 million (2010: HK$93.3 million), an increase by 32.8%
- Profit for the year, if excluding the gain on disposal of non-current assets held for sale of HK$15.6 million, was HK$108.2 million
- Total dividend per share for the year increased by 56.5% to HK72.0 cents (2010: HK46.0 cents). Final dividend of HK32.0 cents per share and a special final dividend of HK12.0 cents per share to commemorate 20th anniversary of public listing
- Gross profit margin went up to 14.5% (2010: 13.9%)
- Return on average equity[1] increased to 24.6% (2010: 23.7%)
- Basic earnings per share were HK98.55 cents (2010: HK74.21 cents)

Note 1: Return on average equity is defined as profit for the year attributable to equity shareholders of the Company excluding a gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the year

ANNUAL RESULTS

The Board of Directors (the "Board") of Fairwood Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011, together with the comparative figures for the year ended 31 March 2010, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	3	**1,665,881**	1,562,348
Cost of sales		**(1,424,680)**	(1,344,519)
Gross profit		**241,201**	217,829
Other revenue	4	**1,335**	708
Other net income	4	**14,207**	4,974
Selling expenses		**(30,112)**	(27,112)
Administrative expenses		**(78,569)**	(81,035)
Impairment losses on fixed assets		**(6,832)**	(7,389)
Valuation gains on investment properties		**6,019**	3,743
Profit from operations		**147,249**	111,718
Finance costs	5(a)	**(2,100)**	(1,332)
Profit before taxation	5	**145,149**	110,386
Income tax	6	**(21,307)**	(17,117)
Profit for the year attributable to equity shareholders of the Company		**123,842**	93,269
Earnings per share	8		
Basic		**98.55 cents**	74.21 cents
Diluted		**97.40 cents**	74.07 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**123,842**	93,269
Other comprehensive income for the year (after tax):		
Exchange differences on translation of financial statements of the People's Republic of China (the "PRC") subsidiaries	**1,901**	151
Release of exchange reserve upon dissolution of PRC subsidiaries	**2,615**	–
	4,516	151
Total comprehensive income for the year attributable to equity shareholders of the Company	**128,358**	93,420

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2011

	Note	**2011** ***HK$'000***	2010 *HK$'000* (restated)
Non-current assets			
Fixed assets			
– Investment properties		**42,367**	42,078
– Other property, plant and equipment		**349,997**	348,928
– Interests in leasehold land held for own use under operating leases		**7,675**	7,886
		400,039	398,892
Goodwill		**1,001**	1,001
Rental deposits paid		**42,245**	40,861
Other financial asset	*9*	**2,334**	2,341
Deferred tax assets		**663**	37
		446,282	443,132
Current assets			
Non-current assets held for sale		**–**	7,247
Inventories		**33,087**	22,168
Trade and other receivables	*10*	**47,785**	39,148
Current tax recoverable		**47**	8
Bank deposits and cash		**253,710**	210,042
		334,629	278,613
Current liabilities			
Trade and other payables	*11*	**219,560**	223,486
Bank loans		**10,908**	9,275
Current tax payable		**14,325**	3,219
Provisions	*12*	**5,790**	4,335
		250,583	240,315
Net current assets		**84,046**	38,298
Total assets less current liabilities		**530,328**	481,430
Non-current liabilities			
Bank loans		**31,018**	35,990
Deferred tax liabilities		**8,507**	8,139
Rental deposits received		**479**	1,126
Provisions	*12*	**22,597**	23,585
		62,601	68,840
Net assets		**467,727**	412,590
Capital and reserves			
Share capital		**125,414**	125,687
Reserves		**342,313**	286,903
Total equity attributable to equity shareholders of the Company		**467,727**	412,590

Notes:

1 BASIS OF PREPARATION

The annual results set out in the announcement are extracted from the Group's financial statements for the year ended 31 March 2011.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This announcement also complies 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").

2 CHANGES IN ACCOUNTING POLICIES

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

– HKFRS 3 (revised 2008), *Business combinations*

– Amendments to HKAS 27, *Consolidated and separate financial statements*

– Amendment to HKFRS 39, *Financial instruments: Recognition and measurement – eligible hedged items*

– Improvements to HKFRSs (2009)

– HK (Int) 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*

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

In November 2010, the HKICPA issued Hong Kong Interpretation 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*. This Interpretation is effective immediately on issuance and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, *Presentation of financial statements*, irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Interpretation 5, the Group has changed its accounting policy on classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the forseeable future.

The new accounting policy has been applied retrospectively by reclassifying term loans of HK$5,686,000 as at 31 March 2010 from non-current liabilities to current liabilities. There is no impact to the classification of loans as at 31 March 2011 as a result of the application of this Interpretation. The reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The amendment to HKAS 39 has had no material impact on the Group's financial statements as the amendment was consistent with policies already adopted by the Group.

The other developments resulted in changes in accounting policies but none of these changes in policies has a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to HKFRS 3 and HKAS 27 has not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

– As a result of the amendment to HKAS 17, Leases, arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

3 TURNOVER AND SEGMENT REPORTING

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

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

	2011	2010
	HK$'000	*HK$'000*
Sale of food and beverages	**1,660,066**	1,555,111
Property rental	**5,815**	7,237
	1,665,881	1,562,348

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

– Hong Kong restaurant: this segment operates fast food restaurants in Hong Kong.

– The PRC restaurant: this segment operates fast food restaurants in the PRC.

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

(a) Segment results

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

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

Performance is measured based on segment profit before taxation. Items not specifically attributable to individual segments, such as corporate expenses (mainly costs of supporting functions that are provided by head office), are not allocated to the reportable 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 years ended 31 March 2011 and 2010 is set out below.

	Hong Kong restaurants		**The PRC restaurants**		**Other segments**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,497,402**	1,407,414	**162,664**	147,697	**10,913**	12,942	**1,670,979**	1,568,053
Inter-segment revenue	**–**	–	**–**	–	**(5,098)**	(5,705)	**(5,098)**	(5,705)
Reportable segment revenue	**1,497,402**	1,407,414	**162,664**	147,697	**5,815**	7,237	**1,665,881**	1,562,348
Reportable segment profit	**109,323**	92,508	**18,815**	11,181	**7,436**	9,644	**135,574**	113,333
Interest income	**1,171**	633	**164**	75	**–**	–	**1,335**	708
Interest expense on bank loans	**1,096**	852	**380**	364	**–**	–	**1,476**	1,216
Depreciation and amortisation	**55,239**	48,122	**5,639**	5,324	**1,132**	998	**62,010**	54,444
Impairment losses on other receivables	**–**	205	**–**	–	**–**	–	**–**	205
Impairment losses on fixed assets	**2,648**	6,260	**4,184**	1,129	**–**	–	**6,832**	7,389

(b) *Reconciliations of reportable segment profit*

	2011	2010
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**135,574**	113,333
Gain on disposal of non-current assets held for sale	**15,633**	–
Compensation paid to a landlord upon early termination of a tenancy lease	**(147)**	–
Compensation received on granting right of access to a third party for construction work performed in part of a restaurant	**–**	3,481
Change in fair value of other financial liabilities at fair value through profit or loss	**(624)**	(116)
Valuation gains on investment properties	**6,019**	3,743
Impairment losses on fixed assets	**(6,832)**	(7,389)
Net loss on dissolution of subsidiaries	**(2,145)**	–
Unallocated corporate expenses	**(2,329)**	(2,666)
Consolidated profit before taxation	**145,149**	110,386

(c) ***Geographic information***

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of fixed assets, and the location of the operation to which they are allocated in the case of goodwill.

	Revenue from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**1,499,565**	1,410,924	**317,452**	312,894
The PRC	**166,316**	151,424	**83,588**	86,999
	1,665,881	1,562,348	**401,040**	399,893

4 OTHER REVENUE AND NET INCOME

	2011	2010
	HK$'000	*HK$'000*
Other revenue		
Interest income	**1,335**	708
Other net income		
Gain on disposal of non-current assets held for sale	**15,633**	–
Net loss on disposal of fixed assets from normal activities	**(3,850)**	(2,690)
Electric and gas range incentives	**2,294**	2,186
Profit on sale of redemption gifts	**1,175**	519
Net loss on dissolution of subsidiaries	**(2,145)**	–
Compensation paid to a landlord upon early termination of a tenancy lease	**(147)**	–
Compensation received on granting right of access to a third party for construction work performed in part of a restaurant	**–**	3,481
Others	**1,247**	1,478
	14,207	4,974

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2011	2010
		HK$'000	*HK$'000*
(a)	***Finance costs:***		
	Change in fair value of other financial liabilities at fair value through profit or loss	**624**	116
	Interest on bank loans	**1,476**	1,216
		2,100	1,332
(b)	***Other items:***		
	Cost of inventories *(note)*	**469,829**	437,364
	Depreciation of fixed assets	**61,799**	54,232
	Amortisation of interests in leasehold land held for own use under operating leases	**211**	212

Note: This represents food costs.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**21,737**	12,037
Under/(over)-provision in respect of prior years	**80**	(95)
	21,817	11,942
Current tax – PRC		
Over-provision in respect of prior years	**(252)**	–
Deferred tax		
Origination and reversal of temporary differences	**(258)**	5,175
	21,307	17,117

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year. PRC taxation represents PRC foreign enterprise income tax for the year and is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions in the PRC.

7 DIVIDENDS

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

	2011	2010
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK20.0 cents (2010: HK18.0 cents) per share	**25,140**	22,624
Special interim dividend declared and paid of HK8.0 cents (2010: nil) per share	**10,056**	–
Final dividend proposed after the end of the reporting period of HK32.0 cents (2010: HK28.0 cents) per share	**40,132**	35,192
Special final dividend proposed after the end of the reporting period of HK12.0 cents (2010: nil) per share	**15,050**	–
	90,378	57,816

The final dividend and special final dividend proposed after the end of the reporting period 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 paid during the year

	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK28.0 cents (2010: HK28.0 cents) per share	**35,203**	35,192

In respect of the final dividends for the year ended 31 March 2010, there is a difference of HK$11,000 between the final dividends disclosed in the last annual financial statements and amount approved and paid during the year which represents dividends attributable to shares repurchased before the closing date of the register of members and 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 is based on the profit attributable to ordinary equity shareholders of the Company of HK$123,842,000 (2010: HK$93,269,000) and the weighted average of 125,662,000 ordinary shares (2010: 125,679,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2011 Number of shares *'000*	2010 Number of shares *'000*
Issued ordinary shares at 1 April	**125,687**	125,587
Effect of share options exercised	**343**	92
Effect of shares repurchased	**(368)**	–
Weighted average number of ordinary shares at 31 March	**125,662**	125,679

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$123,842,000 (2010: HK$93,269,000) and the weighted average number of ordinary shares of 127,151,000 shares (2010: 125,913,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2011 Number of shares *'000*	2010 Number of shares *'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,662**	125,679
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,489**	234
Weighted average number of ordinary shares used in calculating diluted earnings per share	**127,151**	125,913

9 OTHER FINANCIAL ASSET

Other financial asset represents a principal protected structured note placed with financial institution which is subject to call option at the discretion of the financial institution before the maturity dates. Interest is receivable on a quarterly basis and calculated at variable interest rates with reference to the London Interbank Offered Rate ("LIBOR").

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 as of the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
1 to 30 days	**3,104**	4,055
31 to 90 days	**169**	554
91 to 180 days	**21**	93
181 to 365 days	**1**	3
	3,295	4,705

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

11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors, based on the invoice date, with the following ageing analysis as of the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
1 to 30 days	**66,804**	70,850
31 to 90 days	**992**	1,577
91 to 180 days	**1,100**	89
181 to 365 days	**53**	86
Over one year	**961**	1,054
	69,910	73,656

12 PROVISIONS

	2011	2010
	HK$'000	*HK$'000*
Provision for long service payments	**12,760**	12,920
Provision for reinstatement costs for rented premises	**15,627**	15,000
	28,387	27,920
Less: Amount included under "current liabilities"	**(5,790)**	(4,335)
	22,597	23,585

13 COMPARATIVE FIGURES

As a result of the application of Interpretation 5, certain comparative figures have been adjusted to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

During the year under review, the Group recorded turnover of HK$1,665.9 million, up 6.6% against HK$1,562.3 million of last year. Gross profit margin increased to 14.5% (2010: 13.9%). Profit attributable to equity shareholders was HK$123.8 million compared with HK$93.3 million of last year, representing a rise of 32.8%. Excluding a gain on disposal of non-current assets held for sale of HK$15.6 million, profit for the year amounted to HK$108.2 million. Basic earnings per share were HK98.55 cents (2010: HK74.21 cents).

Business review

Hong Kong

The Group is delighted to have achieved growth in both turnover and profit during the year despite sharp rise in food cost and rent.

To sustain growth, we maintained our dedication to providing more variety and better value products to our customers. Product innovation and menu modification are areas that the Group has always focused on. These factors have attracted customers who were willing to pay higher prices and thus resulting in higher average spending.

In terms of bolstering brand value, we continued to employ creative strategies and advertising campaigns to capture the public's interest. The Group's latest offerings were especially well received among the young and affluent segments of the public. More stores were refurbished based on the second generation of the "Orange Concept", creating a vibrant and welcoming atmosphere for customers.

The Group's central food processing plant located at Tai Po Industrial Estate operated seamlessly. It has been supplying food to over 100 stores during the year, bringing great leaps forward to the Group's overall efficiency. The central food processing plant delivers various benefits, including the streamlining of production processes and significant cost savings. The plant's level of automation also enables our personnel to focus on other important areas, such as quality control, which has been strengthened during the year.

With the support of our central food processing plant, process streamlining at store level was carried out which helped to improve productivity. Flexible scheduling shift was implemented to further contain labour costs. The Group initiated a community recruitment campaign specifically targeted on housewives. By providing flexible working hours and on-the-job training, these new recruits have become our reliable source of manpower.

With the introduction of the third phase of SAP Enterprise Resources Planning (ERP) system, activities such as warehouse and logistics management, material sourcing, product costing and inventory control will be strengthened. The ERP system enhances the Group's competitive edge, delivers higher supply chain efficiency, improves process integration and thus resulting in better cost control.

Mainland China

The Mainland China operations continued to progress in a stable manner with sales rising by 10.1% for the year. The Group's specially tailored menus, effective pricing policy and well located stores contributed to a solid customer base. The management will direct more resources and efforts towards making further inroads in this market.

Network

During the year under review, the Group opened 9 new fast food stores including 7 in Hong Kong and 2 in Mainland China. As at 31 March 2011, the Group has a total of 103 stores in operation in Hong Kong, including 97 fast food stores, 2 Buddies Cafes and 4 specialty restaurants. In Mainland China, the Group operates 16 fast food stores.

Corporate Social Responsibility

Being one of the leading and largest fast food operators in Hong Kong, the Group has formed a close relationship with the people it serves. This personal bond inspired the Group to establish its mission of providing a pleasant dining experience and positive image to its customers, as well as the motto: "Eat Happily, Live Colourfully" (食得開心，活得精彩！).

Staying true to this mission, we have been actively involved in a number of community events. The Group co-organised "Poon Choi Night" (盤菜宴) with St James' Settlement, which is a non-governmental organisation that provides diversified services including serving the elderly during holidays and traditional festive seasons. The Group also took part in the "Run-up Two ifc Charity Race 2011", organised by The Community Chest, which attracted the involvement of both management and staff. As a supporting partner to the "Hong Kong Spirit" program, all our stores served to promote the event and as a channel for distributing the program's leaflet.

To better serve the physically disadvantaged, the Group has been renovating stores to make them more accessible. This has included the addition of movable seats and installation of ramps, as well as training staff on how to best serve special-needs customers. So far, we have completed the renovation of more than 10 stores and target to have approximately 80% of our stores in Hong Kong to become 'physically disadvantaged friendly' by 2013.

Prospects

The enforcement of the statutory minimum wage in May 2011 undoubtedly put pressure on labour cost, however, we believe that the introduction of flexible scheduling shift will definitely help to improve labour productivity and gradually mitigate the margin erosion.

Mindful of the ongoing challenges that the fast food industry faces, our objective will be to prudently manage expansion and to achieve sustainable same store sales growth. Though rises in operating expenses and food costs will affect the Group's margin, we are optimistic on our ability to alleviate such pressure through the support of our dedicated workforce in Hong Kong and Mainland China.

We will further capitalise on our central food processing plant in Tai Po to better manage costs, which will be crucial as food prices are expected to continue rising. The greater economies of scale that the central food processing plant bring in will translate into better overall efficiency and effectiveness with further automation, streamlining of processes and standardisation of production.

Aside from production, the Group will continue to introduce innovative yet appealing menus that appeal to customers from all walks of life. The "No MSG" series will be reinforced to capture the health conscious customers. We will continue to introduce the second generation of "Orange Concept" to our stores.

Across the border, the Chinese economy is expected to further expand. To seize the opportunities that arise, we will expand our network of stores and are confident that these new stores will reinforce the growth momentum already achieved. Specifically, the Group aims to increase the total number of stores to 21 by the end of next financial year, which will witness new openings in major cities, including Guangzhou, Beijing and Shenzhen. Along with building our physical presence, we will enrich product mix and fine-tune menus to meet local tastes and to stimulate consumption and broaden our customer base in Mainland China.

Despite mounting pressure of cost in rent, food and labour, we believe that the Group is still in a strong position to maintain growth. Our competitive edges, including innovative products, efficient operations, commitment to quality, responsive management and dedicated workforce will enable the Group to achieve new milestones in the coming years.

Financial Review

Liquidity and financial resources

At 31 March 2011, the Group had total assets of HK$780.9 million (2010: HK$721.7 million). The Group's working capital was HK$84.0 million (2010: HK$38.3 million), represented by total current assets of HK$334.6 million (2010: HK$278.6 million) against total current liabilities of HK$250.6 million (2010: HK$240.3 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.3 (2010: 1.2). Total equity attributable to equity shareholders of the Company was HK$467.7 million (2010: HK$412.6 million).

Return on average equity was 24.6% (2010: 23.7%), being profits attributable to equity shareholders of the Company excluding a gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the year.

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2011, the Group had bank deposits and cash amounting to HK$253.7 million (2010: HK$210.0 million), representing an increase of 20.8% from 2010. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 31 March 2011, the Group had total bank loans of HK$41.9 million (2010: HK$45.3 million) which were denominated in Hong Kong dollars and Renminbi. All of the Group's bank borrowings were subject to the floating rate basis. The maturity of borrowings are up to 2019 with approximately 26.0% repayable within 1 year, 57.7% repayable over 1 year but less than 5 years and 16.3% repayable after 5 years. The unutilised banking facilities were HK$270.6 million (2010: HK$291.0 million). The gearing ratio of the Group was 9.0% (2010: 11.0%), which was calculated based on the total bank loans over total equity attributable to equity shareholders of the Company.

Capital expenditure

During the year, the capital expenditure was approximately HK$66.5 million (2010: HK$159.9 million) and these amounts were mainly used for new and existing shops renovation. The decrease of the expenditure was mainly due to the initial set up fee of our central food processing plant situated at Tai Po Industrial Estate last year.

Financial risk management

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

The Group is exposed to foreign currency risk primarily through structured note and cash at bank that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

For the purpose of offsetting the exposure of the interest rate fluctuation, the Group had entered certain forward interest rate swaps with financial institutions. The swaps were arranged to match the maturity of the repayment schedule of certain bank loans with the maturity over the next 5.5 years and had the fixed swap rates ranging from 2.63% to 2.74%.

Non-current assets held for sale

At 31 March 2010, certain leasehold land and buildings and investment properties were presented as non-current assets held for sale following the decision of the Group's management to dispose of these properties. A sale and purchase agreement was entered into with a third party on 22 April 2010. The sale and purchase was completed on 30 June 2010 with a gain on disposal of HK$15.6 million.

Charges on Group's assets

At 31 March 2011, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$48.3 million (2010: HK$68.8 million).

Further, the Group had pledged bank deposits of HK$2.7 million (2010: HK$2.6 million) to secure a bank loan of HK$0.3 million (2010: HK$1.4 million) borrowed by an independent third party food processing contractor.

Commitments

The Group's capital commitments outstanding at 31 March 2011 were HK$41.4 million (2010: HK$32.8 million). Included in capital commitment outstanding at 31 March 2011 was an amount of HK$23.7 million (2010: HK$29.9 million) for the future development of the central food processing plant. In addition, the Group had outstanding other commitments of HK$8.6 million at 31 March 2011 (2010: HK$10.4 million) in respect of the contracting fee for operation of a fast food restaurant not provided for in the financial statements.

Contingent liabilities

At 31 March 2011, 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 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 guarantee is the amount of the facilities drawn down by all the subsidiaries that are covered by the guarantees, being HK$84.0 million (2010: HK$79.6 million).

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

Employee information

At 31 March 2011, the total number of employees of the Group was approximately 4,600 (2010: 4,400). 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 recommends to pay a final dividend of HK32.0 cents (2010: HK28.0 cents) per share and a special final dividend of HK12.0 cents (2010: nil) per share to commemorate 20th anniversary of public listing for the year ended 31 March 2011. Together with the interim dividend of HK20.0 cents (2010: HK18.0 cents) per share and special interim dividend of HK8.0 cents (2010: nil) per share paid during the year, the total dividend for the year ended 31 March 2011 amounts to HK72.0 cents (2010: HK46.0 cents) per share, representing a total distribution of approximately 73% of the Group's profit for the year. The proposed final and special final dividends will be paid on or before Monday, 26 September 2011 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 16 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 5 September 2011 to Wednesday, 7 September 2011 (both days inclusive) during which period no transfer of shares will be registered. In order for the shareholders to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 2 September 2011 for registration.

The Register of Members will also be closed from Wednesday, 14 September 2011 to Friday, 16 September 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final and special final dividends, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 12 September 2011 for registration.

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

During the year, the Company repurchased its own 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 2010	260,000	7.96	7.20	2,011
August 2010	80,000	8.34	8.16	657
December 2010	225,000	10.92	10.60	2,427
February 2011	212,500	11.02	10.62	2,320
	777,500			7,415

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium and transaction costs paid on the repurchase of the shares of HK$6,637,000 and HK$39,000 respectively were charged to the Company's and the Group's reserves.

Save 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 year.

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 year ended 31 March 2011, save and except that the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-Laws of the Company (Code Provision A.4.2). Further information will be provided in the "Corporate Governance Report" of the 2010/2011 annual report.

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 annual results for the year ended 31 March 2011 and discussed internal control and risk management system of the Company with the management.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transaction 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 year ended 31 March 2011 with the following exception. On 26 October 2010, Mr Ng Chi Keung ("Mr Ng") sold 28,500 shares of the Company ("Disposal"). The Disposal arose from a standing sale instruction placed by Mr Ng a month before and while Mr Ng was overseas and might not be easily accessible, part of the said standing order was fulfilled. The transaction took place in the morning on the commencement day of the black-out period under rule A3(a)(ii) of the Model Code. Mr Ng was not in possession of any information which was or might be of a price-sensitive nature at that time. The non-compliance was not deliberate and completely unintentional and was due to an inadvertent oversight. In view of the non-compliance, the Company sets up more stringent control on dispatch of notice to Directors on black-out period to allow the Directors the time to organize their affairs in accordance with the Model Code.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 2010/2011 annual report of the Company 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.

APPRECIATION

I would like to take this opportunity to thank the staff for their hard work and perseverance, and wish to also express my appreciation to fellow directors for their valuable contributions during the year. My gratitude extends to all of our customers, business partners and shareholders for their unwavering support.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 29 June 2011

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