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FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013

HIGHLIGHTS

- Turnover was HK$1,929.2 million (2012: HK$1,829.5 million), up 5.5%
- Profit was HK$139.5 million (2012 (restated): HK$130.4 million), up 7.0%
- Gross profit margin was 13.7% (2012: 13.4%)
- Return on average equity[1] was 24.5% (2012 (restated): 24.2%)
- Basic earnings per share increased to HK111.67 cents (2012 (restated): HK104.30 cents)
- Final dividend of HK39.0 cents per share and special final dividend of HK10.0 cents per share were proposed, representing payout ratio of 65%

Note 1: Return on average equity is defined as profit for the year attributable to equity shareholders of the Company excluding the net gain on disposal of properties and the compensation received for surrender of a tenancy lease 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 2013, together with the comparative figures for the year ended 31 March 2012, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK$'000	2012 (restated) HK$'000
Turnover	3	**1,929,244**	1,829,456
Cost of sales		**(1,665,515)**	(1,584,656)
Gross profit		**263,729**	244,800
Other revenue	4	**3,507**	2,783
Other net income	4	**16,769**	17,739
Selling expenses		**(28,945)**	(27,103)
Administrative expenses		**(93,816)**	(85,825)
Net impairment losses on fixed assets		**(4,342)**	(2,719)
Valuation gains on investment properties		**9,048**	1,835
Profit from operations		**165,950**	151,510
Finance costs	5(a)	**(865)**	(1,756)
Profit before taxation	5	**165,085**	149,754
Income tax	6	**(25,616)**	(19,374)
Profit for the year attributable to equity shareholders of the Company		**139,469**	130,380
Earnings per share	8		
Basic		**HK111.67 cents**	HK104.30 cents
Diluted		**HK110.03 cents**	HK103.05 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	2013	2012 (restated)
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**139,469**	130,380
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	**439**	1,956
Surplus on revaluation of leasehold land and buildings held for own use reclassified to investment properties	**527**	–
	966	1,956
Total comprehensive income for the year attributable to equity shareholders of the Company	**140,435**	132,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2013

	Note	At 31 March 2013 HK$'000	At 31 March 2012 (restated) HK$'000	At 1 April 2011 (restated) HK$'000
Non-current assets				
Fixed assets				
– Investment properties		**58,110**	44,202	42,367
– Other property, plant and equipment		**368,110**	350,317	349,997
– Interests in leasehold land held for own use under operating leases		**7,251**	7,463	7,675
		433,471	401,982	400,039
Goodwill		**1,001**	1,001	1,001
Rental deposits paid		**46,892**	44,721	42,245
Other financial asset	*9*	**–**	2,329	2,334
Deferred tax assets		**2,045**	780	663
		483,409	450,813	446,282
Current assets				
Inventories		**31,593**	33,483	33,087
Trade and other receivables	*10*	**55,999**	57,153	47,785
Current tax recoverable		**10**	8	47
Bank deposits and cash		**290,992**	265,306	253,710
		378,594	355,950	334,629
Current liabilities				
Trade and other payables	*11*	**248,739**	226,104	219,560
Bank loans		**5,077**	5,024	10,908
Current tax payable		**10,749**	6,766	14,325
Provisions	*12*	**8,953**	6,514	5,790
		273,518	244,408	250,583
Net current assets		**105,076**	111,542	84,046
Total assets less current liabilities		**588,485**	562,355	530,328

	Note	At 31 March 2013 HK$'000	At 31 March 2012 (restated) HK$'000	At 1 April 2011 (restated) HK$'000
Non-current liabilities				
Bank loans		**20,917**	25,994	31,018
Deferred tax liabilities		**13,867**	9,494	11,193
Rental deposits received		**1,152**	260	479
Provisions	*12*	**32,850**	25,768	22,597
		68,786	61,516	65,287
Net assets		**519,699**	500,839	465,041
Capital and reserves				
Share capital		**125,178**	124,500	125,414
Reserves		**394,521**	376,339	339,627
Total equity		**519,699**	500,839	465,041

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 2013.

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 a few amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

Amendments to HKFRS 7, Financial instruments: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at end of the reporting period, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Prior to the introduction of the rebuttable presumption mentioned above, where investment properties were held under leasehold interests, the Group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and concluded that the presumption in the amended HKAS 12 was not rebutted in respect of its investment properties. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale.

This change in policy has been applied retrospectively by restating the balances at 1 April 2011 and 31 March 2012, with consequential adjustments to comparatives for the year ended 31 March 2012 as follows:

	As previously reported	**Effect of adoption of amendments to HKAS 12**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated income statement for year ended 31 March 2012:			
Income tax expense	19,187	187	19,374
Profit for the year	130,567	(187)	130,380
Basic earnings per share	HK104.45 cents	HK(0.15) cents	HK104.30 cents
Diluted earnings per share	HK103.20 cents	HK(0.15) cents	HK103.05 cents
Consolidated statement of financial position as at 31 March 2012:			
Deferred tax liabilities	6,621	2,873	9,494
Retained profits	370,582	(2,873)	367,709
Consolidated statement of financial position as at 1 April 2011:			
Deferred tax liabilities	8,507	2,686	11,193
Retained profits	335,724	(2,686)	333,038

As a result of this change in accounting policy, the income tax expense for the year ended 31 March 2013 is HK$748,000 higher than it would have been if the policy had not been changed, reducing basic and diluted earnings per share by HK0.60 cents and HK0.59 cents respectively.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

	2013	2012
	HK$'000	*HK$'000*
Sale of food and beverages	**1,924,910**	1,825,630
Property rental	**4,334**	3,826
	1,929,244	1,829,456

Further details regarding the Group's principal activities are disclosed below:

(b) Segment reporting

The Group manages its businesses by two divisions, namely Hong Kong restaurant and the PRC restaurant, which are organised by geographical locations. 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.

(i) 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 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 2013 and 2012 is set out below.

	Hong Kong restaurant		**The PRC restaurant**		**Other segments**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,732,814**	1,631,895	**192,096**	193,735	**4,334**	3,826	**1,929,244**	1,829,456
Inter-segment revenue	**–**	–	**–**	–	**5,050**	5,379	**5,050**	5,379
Reportable segment revenue	**1,732,814**	1,631,895	**192,096**	193,735	**9,384**	9,205	**1,934,294**	1,834,835
Reportable segment profit	**134,664**	114,403	**4,078**	16,439	**6,959**	6,511	**145,701**	137,353
Interest income	**3,036**	2,372	**471**	411	**–**	–	**3,507**	2,783
Interest expense on bank loans	**1,178**	1,383	**–**	198	**–**	–	**1,178**	1,581
Depreciation and amortisation	**64,075**	57,710	**9,651**	6,726	**1,132**	1,238	**74,858**	65,674
Impairment losses on fixed assets	**2,435**	2,214	**1,907**	1,463	**–**	–	**4,342**	3,677
Reversal of impairment losses on fixed assets	**–**	–	**–**	(958)	**–**	–	**–**	(958)
Impairment losses on other receivables	**119**	–	**–**	–	**–**	–	**119**	–

(ii) ***Reconciliations of reportable segment profit***

	2013	2012
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**145,701**	137,353
Net gain on disposal of properties	**14,365**	–
Change in fair value of other financial liabilities at fair value through profit or loss	**313**	(175)
Valuation gains on investment properties	**9,048**	1,835
Net impairment losses on fixed assets	**(4,342)**	(2,719)
Compensation received for surrender of a tenancy lease	**–**	13,460
Consolidated profit before taxation	**165,085**	149,754

(iii) ***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**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**1,733,579**	1,632,308	**330,699**	311,208
The PRC	**195,665**	197,148	**103,773**	91,775
	1,929,244	1,829,456	**434,472**	402,983

4 OTHER REVENUE AND NET INCOME

	2013	2012
	HK$'000	*HK$'000*
Other revenue		
Interest income	**3,507**	2,783
Other net income		
Net gain on disposal of properties *(Note 1)*	**14,365**	–
Net loss on disposal of other fixed assets	**(4,657)**	(1,256)
Electric and gas range incentives	**5,049**	2,906
Profit on sale of redemption gifts	**683**	797
Compensation received for surrender of a tenancy lease *(Note 2)*	**–**	13,460
Others	**1,329**	1,832
	16,769	17,739

Note 1: During the year ended 31 March 2013, certain leasehold land and buildings and investment properties were disposed of with net proceeds of HK$20,341,000. A total net gain on disposal of HK$14,365,000 was recognised.

Note 2: During the year ended 31 March 2012, the Group has surrendered the tenancy lease for a premises under an urban renewal plan and received a compensation of HK$13,460,000.

5 PROFIT BEFORE TAXATION

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

	2013	2012
	HK$'000	*HK$'000*
(a) Finance costs:		
Change in fair value of other financial liabilities at fair value through profit or loss	**(313)**	175
Interest on bank loans	**1,178**	1,581
	865	1,756
(b) Other items:		
Cost of inventories *(Note)*	**515,742**	517,959
Depreciation of fixed assets	**74,646**	65,462
Amortisation of interests in leasehold land held for own use under operating leases	**212**	212

Note: This represents food costs.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2013	2012 (restated)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**24,553**	21,209
Over-provision in respect of prior years	**(1,584)**	(1,162)
	22,969	20,047
Current tax – PRC		
Provision for the year	**–**	1,283
Over-provision in respect of prior years	**(101)**	(165)
	(101)	1,118
Deferred tax		
Origination and reversal of temporary differences	**2,748**	(1,791)
	25,616	19,374

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

PRC taxation for 2012 represented PRC corporate income tax for the year and was charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions in the PRC. No provision has been made for PRC corporate income tax for 2013 as the Group's PRC operations sustained a loss for taxation purpose during the year.

7 DIVIDENDS

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

	2013	2012
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK23.0 cents (2012: HK22.0 cents) per share	**28,786**	27,294
Final dividend proposed after the end of the reporting period of HK39.0 cents (2012: HK38.0 cents) per share	**48,819**	47,310
Special final dividend proposed after the end of the reporting period of HK10.0 cents (2012: HK40.0 cents) per share	**12,518**	49,800
	90,123	124,404

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***

	2013	2012
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK38.0 cents (2012: HK32.0 cents) per share	**47,560**	40,237
Special final dividend in respect of the previous financial year, approved and paid during the year, of HK40.0 cents (2012: HK12.0 cents) per share	**50,063**	15,089
	97,623	55,326

In respect of the final dividend and special final dividend for the year ended 31 March 2012, there is a difference of HK$513,000 between the final dividend and special final dividend disclosed in the last annual financial statements and amount approved and paid during the year which represents dividends attributable to (i) shares repurchased and (ii) new shares issued upon the exercise of share options, before the closing date of the register of members.

8 Earnings per share

(a) ***Basic earnings per share***

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$139,469,000 (2012 (restated): HK$130,380,000) and the weighted average number of ordinary shares of 124,899,000 shares (2012: 125,000,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2013	2012
	Number of shares '000	*Number of shares '000*
Issued ordinary shares at 1 April	**124,500**	125,414
Effect of share options exercised	**764**	769
Effect of shares repurchased	**(365)**	(1,183)
Weighted average number of ordinary shares at 31 March	**124,899**	125,000

(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$139,469,000 (2012 (restated): HK$130,380,000) and the weighted average number of ordinary shares of 126,752,000 shares (2012: 126,513,000 shares), calculated as follows:
Weighted average number of ordinary shares (diluted):

	2013	2012
	Number of shares	*Number of shares*
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**124,899**	125,000
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,853**	1,513
Weighted average number of ordinary shares used in calculating diluted earnings per share	**126,752**	126,513

9 OTHER FINANCIAL ASSET

Other financial asset represented a principal protected structured note placed with a financial institution which was subject to call option at the discretion of the financial institution before the maturity date on 12 June 2013. Interest was receivable on a quarterly basis and calculated at variable interest rates with reference to the London Interbank Offered Rate ("LIBOR").

The structured note has been early redeemed by the financial institution during the year.

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:

	2013	2012
	HK$'000	*HK$'000*
1 to 30 days	**5,967**	3,180
31 to 90 days	**543**	321
91 to 180 days	**–**	–
181 to 365 days	**–**	1
	6,510	3,502

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

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:

	2013	2012
	HK$'000	*HK$'000*
1 to 30 days	**76,729**	67,177
31 to 90 days	**2,959**	2,828
91 to 180 days	**972**	303
181 to 365 days	**41**	79
Over one year	**1,004**	990
	81,705	71,377

12 PROVISIONS

	2013	2012
	HK$'000	*HK$'000*
Provision for long service payments	**18,060**	16,160
Provision for reinstatement costs for rented premises	**23,743**	16,122
	41,803	32,282
Less: Amount included under "current liabilities"	**(8,953)**	(6,514)
	32,850	25,768

13 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the changes in accounting policies. Further details are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

During the year under review, the Group recorded turnover of HK$1,929.2 million, up 5.5% over the previous year (2012: HK$1,829.5 million). Gross profit margin registered a slight increase from 13.4% to 13.7%. Profit attributable to equity shareholders was HK$139.5 million (2012 (restated): HK$130.4 million), representing a rise of 7.0%. Excluding the net gain on disposal of properties and the compensation received for surrender of a tenancy lease, profit from core operating activities increased by 7.0% to HK$125.1 million (2012 (restated): HK$116.9 million). Basic earnings per share were HK111.67 cents (2012 (restated): HK104.30 cents).

Business review

Hong Kong

2012 was a satisfactory year for the Group as we continue to enhance our operation efficiency and implemented a series of marketing and operation strategies, resulting in a moderate rise in revenue. We strongly believe that there are still good opportunities for growth in Hong Kong's fast food industry, and are confident in the Group's ability to compete given the solid infrastructure and skilled workforce already in place.

Product innovation is key to our success, which is why we endeavour to provide distinctive and high-quality dishes. We kept on closely analysing consumption trends while at the same time sought to understand our customers' preferences through survey and market research. Consequently, innovative cuisine such as Double Meal Hot Pot (火鍋兩食), Slow Cook Beef and Ramen, etc. were launched. Our core menu was enriched as well, for example, we reinforced the signature dishes under the "Ah Wood" series, including the Curry series, Spaghetti Bolognaise, Curry Beef Brisket with Rice and Baked Pork Chop with Rice in Tomato Sauce.

In addition to offering innovative dishes, we have also employed creative promotion and advertising campaigns to draw public interest. Furthermore, the Group's vibrant brand image and well designed stores based on the "Orange Concept" maintained its draw in attracting young and affluent customers.

To celebrate the Group's 40th anniversary and satisfy the needs of loyal customers, Nostalgic dishes (經典滋味) dating from the 1970s were reintroduced during the year, promotions such as "Fairwood $4 Meal Campaign" and "Scratch Card Campaign" were launched as a means of giving back to the community, which are also consistent with our motto: "Enjoy Great Food, Live a Great Life".

With regards to backend operations, new equipment was installed at the central food processing plant to raise efficiency and increase production capacity. In addition, the Group continued to leverage the SAP Enterprise Resources Planning System to monitor and identify consumption patterns, leading to more efficient use of ingredients, less food wastage and higher quality consistency. More efforts were also placed in the sourcing of lower price yet high-quality ingredients from around the world and strategic menu planning, enabling us to further control costs.

Though improving operation efficiency is important, caring for our staff is even more important. In order to promote a healthy work-life balance among employees, flexible scheduling was adopted. The Group also invested more resources to enhance training programmes, implement reward schemes and provide staff benefits so that employees have a stronger sense of loyalty to the Group. Underscoring the success of our efforts over the past year, the Group earned the Hong Kong Outstanding Corporate Citizenship Award and Productivity & Quality Certificate of Merit, along with recognition under the Family-Friendly Employers Award Scheme.

Mainland China

Our Mainland China business encountered various challenges during the year. The slowdown in economic growth, cut-throat price competition from rivals, rising minimum wage together with the inflated operating costs put pressure on running of our business. In addition, since our new stores opened this fiscal year did not perform as expected, they were yet to bring in contribution to the Group. All the above factors led to a decline in business performance during the year. However, the management remains cautiously optimistic about the Group's ability to strengthen its market position in Mainland China over the longer term. Through implementation of our Hong Kong business model and various market researches, we believe that we will be able to adapt to local tastes and preferences, consequently boosting customer traffic and rise in revenue.

Network

During the year under review, the Group opened 16 new fast food stores including 8 in Hong Kong and 8 in Mainland China. As of 31 March 2013, the Group has a total of 114 stores in operation in Hong Kong, including 103 fast food stores, 5 Kenting Tea Houses, 3 Buddies Cafes and 3 other specialty restaurants. In Mainland China, the Group operates 26 fast food stores.

Prospect

Day in and day out, customers choose our stores because of the delicious food, exceptional service, inviting atmosphere and great value. Their support is what drives the management in its sustained effort to improve all aspects of operation. Knowledgeable about the Hong Kong market and with a proven business model and strategy for the future in place, the management is confident that the Group will continue to grow. By progressive expansion of Hong Kong fast food network, the Group will be able to capture an even greater share of the local fast food market and remains an industry leader in Hong Kong.

Believing that customers should always come first. Their satisfaction with the service and eating environment, and most importantly, have enjoyable dining experience, we must therefore seek continuous improvement in all of these areas. With respect to food, we have continued to enrich our menus by adding a wide range of dishes to satisfy different customer tastes. The new "Green Light Zone", for example, is recently introduced in response to rising health consciousness in Hong Kong and reinforces the success of the popular "No MSG" series. As to the dining environment, we will carry on the installation of ramps and moveable tables and seats at our stores to address the needs of the disabled and elderly.

To further enhance our relationship with customers as well as raise brand awareness, Fairwood is set to tap the power of the social media. Via this interactive platform, we will be able to get closer to our customers, better understand their needs and express to everyone the Fairwood motto: "Enjoy Great Food, Live a Great Life".

Financial Review

Liquidity and financial resources

At 31 March 2013, total assets of the Group were HK$862.0 million (2012: HK$806.8 million). The Group's working capital was HK$105.1 million (2012: HK$111.5 million), represented by total current assets of HK$378.6 million (2012: HK$355.9 million) against total current liabilities of HK$273.5 million (2012: HK$244.4 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.4 (2012: 1.5). Total equity was HK$519.7 million (2012 (restated): HK$500.8 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2013, the Group had bank deposits and cash amounting to HK$291.0 million (2012: HK$265.3 million), representing an increase of 9.7% from 2012. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 31 March 2013, the Group had total bank loans of HK$26.0 million (2012: HK$31.0 million) denominated in Hong Kong dollars. All of the Group's bank borrowings were subject to the floating rate basis and the maturity of borrowings are up to 2019. The unutilised banking facilities were HK$315.8 million (2012: HK$271.1 million). The gearing ratio of the Group dropped to 5.0% (2012: 6.2%), which was calculated based on the total bank loans over total equity.

Profitability

Return on average equity was 24.5% (2012 (restated): 24.2%), being profits attributable to equity shareholders of the Company excluding the net gain on disposal of properties and the compensation received for surrender of a tenancy lease against the average total equity at the beginning and the end of the year.

Capital expenditure

During the year, the capital expenditure was approximately HK$111.3 million (2012: HK$68.4 million). The increase was due to more renovation works for the new and existing shops compared to 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 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. As United States dollar is pegged to Hong Kong dollar, the Group does not expect any significant movements in the United States dollar/Hong Kong dollar exchange rate. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

For the purpose of offsetting the exposure of the interest rate fluctuation, the Group had entered 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 3.5 years and had the fixed swap rates ranging from 2.63% to 2.74%.

Charges on Group's assets

At 31 March 2013, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$47.0 million (2012: HK$48.3 million) and no bank deposits and cash was used to pledge any loans or banking facilities.

Commitments

The Group's capital commitments outstanding at 31 March 2013 were HK$20.7 million (2012: HK$45.7 million). Included in capital commitment outstanding at 31 March 2013 was an amount of HK$14.7 million (2012: HK$20.2 million) for the future development of the central food processing plant.

Contingent liabilities

At 31 March 2013, 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$76.5 million (2012: HK$77.6 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 2013, the total number of employees of the Group was approximately 4,400 (2012: 4,600). Staff costs for the year were approximately HK$542.3 million (2012: HK$506.1 million). 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 employees. 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 HK39.0 cents (2012: HK38.0 cents) per share and a special final dividend of HK10.0 cents (2012: HK40.0 cents) per share for the year ended 31 March 2013. Together with the interim dividend of HK23.0 cents (2012: HK22.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2013 amounts to HK72.0 cents (2012: HK100.0 cents) per share, representing a total distribution of approximately 65% of the Group's profit for the year. The proposed final and special final dividends will be paid on or before Thursday, 3 October 2013 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 23 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 9 September 2013 to Wednesday, 11 September 2013 (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, 6 September 2013 for registration.

The Register of Members will also be closed from Wednesday, 18 September 2013 to Monday, 23 September 2013 (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 Tuesday, 17 September 2013 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*
April 2012	67,500	12.50	12.40	843

291,000 shares were repurchased by the Company in March 2012 but the share cancellation has not yet been completed as at 31 March 2012. As a result, the nominal value of these shares was not deducted from the issued share capital of the Company as at 31 March 2012. Together with the 67,500 shares repurchased by the Company in the year ended 31 March 2013, 358,500 repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of HK$4,114,000 and HK$12,000 respectively were charged to the Group's reserves.

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 year.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2013, save and except that the Chairman and the Managing Director (the Chief Executive Officer) of the Company are not subject to retirement by rotation under the Bye-laws of the Company. Further information will be provided in the "Corporate Governance Report" of the 2012/2013 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 2013 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 Transactions by Directors of Listed Issuers ("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 2013.

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 2012/2013 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 wish to express my appreciation to the management team and the entire workforce for their dedication and hard work during the past year. Now that we are beginning the fourth decade of our service in the fast food industry, we will commit more resources and efforts on people management, so as to further develop our happy and productive workforce. We believe when staff take pleasure in what they do comes happy customers, and that adheres also to our motto "Enjoy Great Food, Live a Great Life".

Last but not least, I would like to thank our business partners and shareholders for their continuous support. Going forward, we will continue to place every effort towards ensuring the sustainable development of the Group and delivering fair returns to our shareholders.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 26 June 2013

As at the date of this announcement, the Board of the Company 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.