FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

HIGHLIGHTS

- Turnover was HK$2,037.7 million (2013: HK$1,929.2 million), up 5.6%
- Gross profit margin was 13.6% (2013: 13.7%), dropped by 0.1 percentage points
- Profit attributable to equity shareholders was HK$107.6 million (2013: HK$139.5 million), dropped by 22.8%
- Profit for the year before the net gain on disposal of properties recorded last financial year, valuation (loss)/gain on investment properties and impairment losses on fixed assets amounted to HK$125.1 million (2013: HK$120.4 million), up 3.9%
- Basic earnings per share were HK85.71 cents (2013: HK111.67 cents)
- Final dividend of HK39.0 cents per share was proposed, representing payout ratio of 72.3%

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 2014, together with the comparative figures for the year ended 31 March 2013, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Turnover	*3*	**2,037,719**	1,929,244
Cost of sales		**(1,761,424)**	(1,665,515)
Gross profit		**276,295**	263,729
Other revenue	*4*	**4,792**	3,507
Other net (loss)/income	*4*	**(6,425)**	3,044
Net gain on disposal of properties	*5*	**–**	14,365
Selling expenses		**(27,885)**	(28,945)
Administrative expenses		**(92,208)**	(94,456)
Impairment losses on fixed assets		**(16,733)**	(4,342)
Valuation (loss)/gain on investment properties		**(781)**	9,048
Profit from operations		**137,055**	165,950
Finance costs	*6(a)*	**(785)**	(865)
Profit before taxation	*6*	**136,270**	165,085
Income tax	*7*	**(28,659)**	(25,616)
Profit for the year attributable to equity shareholders of the Company		**107,611**	139,469
Earnings per share	*9*		
Basic		**HK85.71 cents**	HK111.67 cents
Diluted		**HK84.81 cents**	HK110.03 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**107,611**	139,469
Other comprehensive income for the year (after tax):		
Item that will not be reclassified to profit or loss:		
– Surplus on revaluation of leasehold land and buildings held for own use reclassified to investment properties	**–**	527
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the People's Republic of China (the "PRC") subsidiaries	**1,271**	439
	1,271	966
Total comprehensive income for the year attributable to equity shareholders of the Company	**108,882**	140,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2014

	Note	At 31 March 2014 HK$'000	At 31 March 2013 HK$'000
Non-current assets			
Fixed assets			
– Investment properties		**57,329**	58,110
– Other property, plant and equipment		**339,600**	368,110
– Interests in leasehold land held for own use under operating leases		**7,039**	7,251
		403,968	433,471
Goodwill		**1,001**	1,001
Rental deposits paid		**51,048**	46,892
Other financial assets	*10*	**8,826**	–
Deferred tax assets		**1,957**	2,045
		466,800	483,409
Current assets			
Inventories		**30,820**	31,593
Trade and other receivables	*11*	**56,823**	55,999
Other financial assets	*10*	**7,394**	–
Current tax recoverable		**54**	10
Bank deposits and cash		**326,058**	290,992
		421,149	378,594
Current liabilities			
Trade and other payables	*12*	**265,307**	248,739
Bank loans		**9,852**	5,077
Current tax payable		**10,034**	10,749
Provisions	*13*	**8,575**	8,953
		293,768	273,518
Net current assets		**127,381**	105,076
Total assets less current liabilities		**594,181**	588,485

	Note	At 31 March 2014 HK$'000	At 31 March 2013 HK$'000
Non-current liabilities			
Bank loans		**11,065**	20,917
Deferred tax liabilities		**14,984**	13,867
Rental deposits received		**1,368**	1,152
Provisions	*13*	**31,502**	32,850
		58,919	68,786
Net assets		**535,262**	519,699
Capital and reserves			
Share capital		**125,465**	125,178
Reserves		**409,797**	394,521
Total equity		**535,262**	519,699

Notes:

1 BASIC OF PREPARATION

The annual results set out in the announcement are extracted from the Group's financial statements for the year ended 31 March 2014.

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 number of new HKFRSs and 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 HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

– HKFRS 10, *Consolidated financial statements*

– HKFRS 13, *Fair value measurement*

– Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

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:

	2014	2013
	HK$'000	*HK$'000*
Sale of food and beverages	**2,032,794**	1,924,910
Property rental	**4,925**	4,334
	2,037,719	1,929,244

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 restaurants and PRC restaurants, which are organised by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

– PRC restaurants: 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 most senior executive management monitors the results of each reportable segment on the following bases:

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

Performance is measured based on segment profit before taxation. Items not specifically attributable to individual segments are not allocated to the 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 2014 and 2013 is set out below.

	Hong Kong restaurants		PRC restaurants		Other segments		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,865,168**	1,732,814	**167,626**	192,096	**4,925**	4,334	**2,037,719**	1,929,244
Inter-segment revenue	**–**	–	**–**	–	**4,761**	5,050	**4,761**	5,050
Reportable segment revenue	**1,865,168**	1,732,814	**167,626**	192,096	**9,686**	9,384	**2,042,480**	1,934,294
Reportable segment profit/(loss)	**159,764**	134,664	**(14,218)**	4,078	**8,059**	6,959	**153,605**	145,701
Interest income	**4,351**	3,036	**441**	471	**–**	–	**4,792**	3,507
Interest expense on bank loans	**964**	1,178	**–**	–	**–**	–	**964**	1,178
Depreciation and amortisation	**66,208**	64,075	**8,936**	9,651	**1,008**	1,132	**76,152**	74,858
Impairment losses on fixed assets	**4,102**	2,435	**12,631**	1,907	**–**	–	**16,733**	4,342
Impairment losses on other receivables	**–**	119	**–**	–	**–**	–	**–**	119

(ii) Reconciliations of reportable segment profit

	2014	2013
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**153,605**	145,701
Net gain on disposal of properties	**–**	14,365
Change in fair value of other financial assets at fair value through profit or loss	**(171)**	–
Change in fair value of other financial liabilities at fair value through profit or loss	**350**	313
Valuation (loss)/gain on investment properties	**(781)**	9,048
Impairment losses on fixed assets	**(16,733)**	(4,342)
Consolidated profit before taxation	**136,270**	165,085

(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 assets 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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**1,866,260**	1,733,579	**320,835**	330,699
The PRC	**171,459**	195,665	**84,134**	103,773
	2,037,719	1,929,244	**404,969**	434,472

4 OTHER REVENUE AND NET (LOSS)/INCOME

	2014	2013
	HK$'000	*HK$'000*
Other revenue		
Interest income	**4,792**	3,507
Other net (loss)/income		
Net loss on disposal of other fixed assets	**(15,007)**	(4,657)
Net foreign exchange gain	**875**	640
Electric and gas range incentives	**4,028**	5,049
Profit on sale of redemption gifts	**909**	683
Compensation received from a landlord upon early termination of a tenancy lease	**757**	–
Others	**2,013**	1,329
	(6,425)	3,044

5 NET GAIN ON DISPOSAL OF PROPERTIES

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 net gain on disposal of HK$14,365,000 was recognised.

6 PROFIT BEFORE TAXATION

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

	2014	2013
	HK$'000	*HK$'000*
(a) Finance costs:		
Change in fair value of other financial assets at fair value through profit or loss	**171**	–
Change in fair value of other financial liabilities at fair value through profit or loss	**(350)**	(313)
Interest expense on bank loans	**964**	1,178
	785	865
(b) Other items:		
Cost of inventories *(Note)*	**541,053**	515,742
Depreciation of fixed assets	**75,940**	74,646
Amortisation of interests in leasehold land held for own use under operating leases	**212**	212

Note: The cost of inventories represents food costs.

7 INCOME TAX IN THE CONSOLIDATION INCOME STATEMENT

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**27,462**	24,553
Over-provision in respect of prior years	**(26)**	(1,584)
	27,436	22,969
Current tax – PRC		
Over-provision in respect of prior years	**(8)**	(101)
Deferred tax		
Origination and reversal of temporary differences	**1,231**	2,748
	28,659	25,616

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

No provision has been made for PRC corporate income tax for 2014 as the Group's PRC operations sustained a loss for taxation purpose during the year.

8 DIVIDENDS

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

	2014 *HK$'000*	2013 *HK$'000*
Interim dividend declared and paid of HK23.0 cents (2013: HK23.0 cents) per share	**28,880**	28,786
Final dividend proposed after the end of the reporting period of HK39.0 cents (2013: HK39.0 cents) per share	**48,931**	48,819
Special final dividend proposed after the end of the reporting period of HK nil cent (2013: HK10.0 cents) per share	**–**	12,518
	77,811	90,123

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2014 *HK$'000*	2013 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK39.0 cents (2013: HK38.0 cents) per share	**48,949**	47,560
Special final dividend in respect of the previous financial year, approved and paid during the year, of HK10.0 cents (2013: HK40.0 cents) per share	**12,551**	50,063
	61,500	97,623

In respect of the final dividend and special final dividend for the year ended 31 March 2013, there is a difference of HK$163,000 (year ended 31 March 2012: HK$513,000) between the final dividend and special final dividend disclosed in the 2013 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.

9 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$107,611,000 (2013: HK$139,469,000) and the weighted average number of ordinary shares of 125,548,000 shares (2013: 124,899,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2014	2013
	Number of shares '000	*Number of shares '000*
Issued ordinary shares at 1 April	**125,178**	124,500
Effect of share options exercised	**780**	764
Effect of shares repurchased	**(410)**	(365)
Weighted average number of ordinary shares at 31 March	**125,548**	124,899

(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$107,611,000 (2013: HK$139,469,000) and the weighted average number of ordinary shares of 126,888,000 shares (2013: 126,752,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2014	2013
	Number of shares '000	*Number of shares '000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,548**	124,899
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,340**	1,853
Weighted average number of ordinary shares used in calculating diluted earnings per share	**126,888**	126,752

10 OTHER FINANCIAL ASSETS

	2014	2013
	HK$'000	*HK$'000*
Non-current financial assets		
Held-to-maturity debt security		
– Unlisted but quoted	**8,826**	–
Current financial assets		
Principal protected structured note		
– Unlisted but quoted	**7,394**	–
	16,220	–

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

The principal protected structured note was issued by a financial institution in Hong Kong. The interest rate is determined with reference to the exchange rate of the United Stated dollars ("USD") against Renminbi ("RMB") at the fixing date on 6 February 2015.

11 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts), based on the invoice date, with the following ageing analysis as of the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
1 to 30 days	**1,892**	5,967
31 to 90 days	**312**	543
91 to 180 days	**20**	–
	2,224	6,510

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

12 TRADE AND OTHER PAYABLES

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:

	2014	2013
	HK$'000	*HK$'000*
1 to 30 days	**81,148**	76,729
31 to 90 days	**172**	2,959
91 to 180 days	**3,014**	972
181 to 365 days	**785**	41
Over one year	**681**	1,004
	85,800	81,705

13 PROVISIONS

	2014	2013
	HK$'000	*HK$'000*
Provision for long service payments	**10,940**	18,060
Provision for reinstatement costs for rented premises	**29,137**	23,743
	40,077	41,803
Less: Amount included under "current liabilities"	**(8,575)**	(8,953)
	31,502	32,850

14 COMPARATIVE FIGURES

Net foreign exchange gain of HK$640,000 for the year ended 31 March 2013 has been re-classified from administrative expenses to other net income to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

During the year under review, the Group recorded turnover of HK$2,037.7 million, up 5.6% over the previous year (2013: HK$1,929.2 million). Gross profit margin dropped by 0.1 percentage points from 13.7% to 13.6%. Profit attributable to equity shareholders was HK$107.6 million (2013: HK$139.5 million), representing a drop of 22.8%. Profit for the year before the net gain on disposal of properties recorded last financial year, valuation (loss)/gain on investment properties and impairment losses on fixed assets amounted to HK$125.1 million (2013: HK$120.4 million), representing an increase of 3.9%. Basic earnings per share were HK85.71 cents (2013: HK111.67 cents).

Business review

Hong Kong

The Group is glad to have achieved encouraging growth in both turnover and profit during the year. Positive responses have been received from customers as products including Claypot Rice, Italian Risotto and Thick-Cut Black Pork Cutlet were introduced. Additionally, Fairwood's signature dishes such as Ah Wood Curry and Baked Pork Chop Rice have been further improved. The Group's dedicated effort to delivering great-tasting and high quality food has been a proven success, as seen from the increase in headcounts and average spending levels. During the year, six new fast food stores were opened to broaden our reach to customers; and to spread our mission of "Enjoy great food, Live a great life!" to every corner of Hong Kong.

Although the overall business environment remained challenging, with high operating costs including rental, labour and food costs, Fairwood was able to weather through such conditions with the support of its unique business model. Corporate initiatives implemented throughout the years including improvements to the Central Food Processing Plant, SAP Enterprise Resources Planning System, flexible staff scheduling and global sourcing strategy have all enabled the Group to maximise returns and minimise costs.

During the year, new facilities were installed at the Central Food Processing Plant. Resources have been invested to improve automation so as to enhance product quality consistency, and at the same time maximise efficiency. It is believed that such enhancements will enable better support to our front line operations, in turn easing the heavy workload at our stores.

Mainland China

The gloomy outlook of the global economy and slower than expected growth in Mainland China have adversely changed consumer spending sentiment. Together with the persistently high operating costs in food, labour and rental, 2014 transpired to be a difficult year for catering and fast food business. In response, the management has adjusted its strategies and undertaken a series of fine-tuning and consolidation of the Group's operations, including the closing of under-performing stores and reinforcing operational fundamentals. Furthermore, the Group decided to adopt a prudent approach by making substantial provision on fixed assets for certain under-performing stores, especially those located in the North. Moving forward, the management will continue to make reference to the business model in Hong Kong when implementing the strategies for Mainland China operation with more management resources devoted to the South. All in all, the management remains optimistic that the Mainland China operation would turn the corner and contribute to the growth of the Group in the future.

Network

During the year under review, the Group opened seven new stores including six in Hong Kong and one in Mainland China. As of 31 March 2014, the Group has a total of 110 stores in operation in Hong Kong, including 103 fast food stores, three Kenting Tea Houses, three Buddies Cafes and one other specialty restaurant. In Mainland China, the Group operates 21 fast food stores and one specialty restaurant.

Recruitment and Training

Human resources are one of the Group's core assets. Our team's continuous support and effort over the years has significantly contributed to the Group's success. Fairwood is committed to developing career programs and training courses to equip our personnel with the required technical and management skills as well as to encourage their sense of belonging and enable them to grow with the Group.

Labour shortage is one of the main challenges that the industry is currently facing and it is increasingly difficult to recruit experienced staff. To tackle this issue, Fairwood has pledged to step up efforts to attract talented workers by offering comprehensive staff development programs. The Group believes every person is a valuable asset to the Group regardless of their gender, age, ethnicity and background.

The Group is honoured to have received the "Outstanding Award for Social Inclusion" from The Hong Kong Council of Social Service during the year. Our human resources team has been constantly communicating with our front line employees to get a better understanding of their needs. Students and housewives are encouraged to join our team with a flexible scheduling scheme to fit their daily schedules, while "back of house" employees are also encouraged to join the "front of house" if deemed appropriate. The Group believes it is important to foster a happy and nurturing culture within the organisation, so as to build a happy working team which will translate into a happy dining experience for our customers.

Corporate Social Responsibility

Fairwood always believes "People come first" and continues to devote significant time and energy to the betterment of society. Apart from the "Fairwood $4 Meal Campaign", the Group has launched two CSR campaigns throughout the year, namely the "Fairwood Gives Warmth Campaign" and "Fairwood Breakfast Give-Out Campaign". The "Fairwood Gives Warmth Campaign" aims to share a feeling of warmth and inclusion with citizens that are living in lower income neighbourhoods by offering them complimentary glutinous rice with chicken. In addition, Fairwood has also collaborated with St. James Settlement and organised the "Fairwood Breakfast Give-Out Campaign". Students in need were eligible to redeem a hot breakfast to energize them for the day.

As one of the leading fast food operators in Hong Kong, it is our mission not only to exceed the expectations of our customers and achieve returns for shareholders, but also to continue embracing the well-being of the wider community as one of our top priorities.

Prospects

Looking ahead, we see tremendous opportunity for Fairwood and we are determined to invest in our brand to invigorate future performance. The management will adopt an aggressive expansion approach with the aim of opening around twelve new fast food stores in Hong Kong in the coming year. Locations selected for the new stores will include residential estates, shopping malls, MTR stations and more, to provide better coverage for customers.

Product innovation is another area that the Group will continue to focus on. For the coming year, various innovative dishes will be launched to satisfy our customers' constantly evolving palates.

Due to the relatively challenging business environment in Mainland China, the Group expects that factors adverse to operation will persist in the coming year but remains positive about the market over the long run. Fairwood will continue to prudently expand its network in Mainland China, leveraging its brand and reputation, with an initial focus on the South.

Financial Review

Liquidity and financial resources

At 31 March 2014, total assets of the Group were HK$887.9 million (2013: HK$862.0 million). The Group's working capital was HK$127.4 million (2013: HK$105.1 million), represented by total current assets of HK$421.2 million (2013: HK$378.6 million) against total current liabilities of HK$293.8 million (2013: HK$273.5 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.4 (2013: 1.4). Total equity was HK$535.3 million (2013: HK$519.7 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2014, the Group had bank deposits and cash amounting to HK$326.1 million (2013: HK$291.0 million), representing an increase of 12.1% from 2013. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 31 March 2014, the Group had total bank loans of HK$20.9 million (2013: HK$26.0 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$276.3 million (2013: HK$315.8 million). The gearing ratio of the Group dropped to 3.9% (2013: 5.0%), which was calculated based on the total bank loans over total equity.

Profitability

Return on average equity was 20.4% (2013: 24.5%), being profits attributable to equity shareholders of the Company excluding the net gain on disposal of properties 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$78.3 million (2013: HK$111.3 million). The decrease was due to fewer shops opened 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 and other financial assets that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. As United States dollar is pegged to Hong Kong dollar, the Group does not expect any significant movements in the United States dollar/Hong Kong dollar exchange rate. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

For the purpose of offsetting the exposure of the interest rate fluctuation, the Group had entered 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 2.5 years and had the fixed swap rates ranging from 2.63% to 2.74%.

Charges on Group's assets

At 31 March 2014, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$45.5 million (2013: HK$47.0 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 2014 were HK$31.0 million (2013: HK$20.7 million). Included in capital commitment outstanding at 31 March 2014 was an amount of HK$7.9 million (2013: HK$14.7 million) for the future development of the central food processing plant.

Contingent liabilities

At 31 March 2014, 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$82.1 million (2013: HK$76.5 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 2014, the total number of employees of the Group was approximately 4,600 (2013: 4,400). Staff costs for the year were approximately HK$572.7 million (2013: HK$542.3 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 (2013: a final dividend of HK39.0 cents and a special final dividend of HK10.0 cents) per share for the year ended 31 March 2014. Together with the interim dividend of HK23.0 cents (2013: HK23.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2014 amounts to HK62.0 cents (2013: HK72.0 cents) per share, representing a total distribution of approximately 72.3% of the Group's profit for the year. The proposed final dividend will be paid on or before Monday, 6 October 2014 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 22 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 8 September 2014 to Thursday, 11 September 2014 (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 Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 5 September 2014 for registration.

The Register of Members will also be closed from Thursday, 18 September 2014 to Monday, 22 September 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 17 September 2014 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 *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *HK$'000*
June 2013	250,000	16.00	15.64	3,984
July 2013	276,500	16.14	16.12	4,462
August 2013	13,000	16.12	16.12	210
January 2014	119,500	15.62	15.40	1,864
	659,000			10,520

The above repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium and transaction costs paid on the repurchase of the shares of HK$9,861,000 and HK$30,000 respectively were charged to the Group's share premium account.

Saved as disclosed above, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the 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 2014, 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 and the date on which the policy concerning diversity of board members was adopted. Further information will be provided in the "Corporate Governance Report" of the 2013/2014 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 auditor the annual results for the year ended 31 March 2014 and discussed internal control and risk management system of the Company with the management.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year.

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 2014.

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 2013/2014 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 extend my heartfelt gratitude to the management team and our staff for their excellent performance throughout the year. I would also like to thank the community for their continued support, as well as our shareholders and business partners for their trust and confidence in Fairwood.

Having learned from our past experience, I am optimistic about the Group's prospects and believe we will continue to grow stronger in the future. We will commit more resources and effort to people management, so as to further develop our happy and productive workforce.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 26 June 2014

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