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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 2016

HIGHLIGHTS

- Revenue was HK$2,428.0 million (2015: HK$2,244.9 million), increased by 8.2%
- Profit attributable to equity shareholders was HK$200.8 million (2015: HK$144.0 million), increased by 39.5%
- Profit before the net gain on disposal of non-current assets held for sale amounted to HK$189.1 million, increased by 31.3%
- Gross profit margin was 15.9% (2015: 14.9%), raised by 1.0 percentage point
- Return on average equity[1] was 29.6% (2015: 25.4%)
- Basic earnings per share were HK158.62 cents (2015: HK114.13 cents)
- Final dividend of HK55.0 cents per share and special final dividend of HK45.0 cents per share were proposed to commemorate the 25th anniversary of public listing. Total dividend per share for the year increased by 75% to HK140.0 cents (2015: HK80.0 cents)

Note 1: Return on average equity is defined as profit attributable to equity shareholders of the Company before the net 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 2016, together with the comparative figures for the year ended 31 March 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*3*	**2,427,973**	2,244,885
Cost of sales		**(2,040,943)**	(1,910,638)
Gross profit		**387,030**	334,247
Other revenue	*4*	**9,231**	6,684
Other net losses	*4*	**(8,417)**	(3,659)
Net gain on disposal of non-current assets held for sale	*10*	**11,710**	–
Selling expenses		**(26,239)**	(31,405)
Administrative expenses		**(119,217)**	(108,683)
Impairment losses on property, plant and equipment		**(8,916)**	(16,406)
Valuation loss on investment properties		**(2,110)**	(607)
Profit from operations		**243,072**	180,171
Finance costs	*5(a)*	**(171)**	(70)
Profit before taxation	*5*	**242,901**	180,101
Income tax	*6*	**(42,123)**	(36,134)
Profit for the year attributable to equity shareholders of the Company		**200,778**	143,967
Earnings per share	*8*		
Basic		**HK158.62 cents**	HK114.13 cents
Diluted		**HK157.53 cents**	HK113.35 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**200,778**	143,967
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	**(2,266)**	146
Total comprehensive income for the year attributable to equity shareholders of the Company	**198,512**	144,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	Note	At 31 March 2016 HK$'000	At 31 March 2015 HK$'000
Non-current assets			
Investment properties		**38,670**	40,780
Other property, plant and equipment		**378,955**	335,403
Interests in leasehold land held for own use under operating leases		**6,616**	6,828
		424,241	383,011
Goodwill		**1,001**	1,001
Rental deposits paid		**51,670**	51,470
Other financial assets	*9*	**8,405**	8,835
Deferred tax assets		**306**	427
		485,623	444,744
Current assets			
Non-current assets held for sale	*10*	**–**	19,283
Inventories		**36,911**	38,517
Trade and other receivables	*11*	**70,706**	60,373
Other financial assets	*9*	**–**	89
Current tax recoverable		**–**	72
Bank deposits and cash		**548,607**	419,022
		656,224	537,356
Current liabilities			
Trade and other payables	*12*	**363,860**	290,972
Bank loans		**3,053**	4,387
Current tax payable		**16,102**	12,824
Provisions	*13*	**13,320**	11,664
		396,335	319,847
Net current assets		**259,889**	217,509
Total assets less current liabilities		**745,512**	662,253

	Note	At 31 March 2016 HK$'000	At 31 March 2015 HK$'000
Non-current liabilities			
Bank loans		**3,583**	6,636
Deferred tax liabilities		**19,394**	16,924
Rental deposits received		**2,007**	1,765
Provisions	*13*	**44,190**	36,764
		69,174	62,089
Net assets		**676,338**	600,164
Capital and reserves			
Share capital		**126,745**	126,341
Reserves		**549,593**	473,823
Total equity		**676,338**	600,164

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 2016.

The Group's 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. The Group's financial statements also comply 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- *Annual Improvements to HKFRSs 2010-2012 Cycle*

- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related Party Disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2016	2015
	HK$'000	*HK$'000*
Sale of food and beverages	**2,420,674**	2,239,027
Property rental	**7,299**	5,858
	2,427,973	2,244,885

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

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

– Mainland China restaurants: this segment operates fast food restaurants in Mainland China.

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

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most 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 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 2016 and 2015 is set out below.

	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,284,510**	2,068,587	**136,164**	170,440	**7,299**	5,858	**2,427,973**	2,244,885
Inter-segment revenue	**–**	–	**–**	–	**5,000**	5,000	**5,000**	5,000
Reportable segment revenue	**2,284,510**	2,068,587	**136,164**	170,440	**12,299**	10,858	**2,432,973**	2,249,885
Reportable segment profit/(loss)	**229,600**	196,653	**2,070**	(8,207)	**10,481**	8,234	**242,151**	196,680
Interest income	**9,184**	6,576	**47**	108	**–**	–	**9,231**	6,684
Interest expense on bank loans	**237**	504	**–**	–	**–**	–	**237**	504
Depreciation and amortisation	**73,783**	73,389	**4,207**	8,054	**879**	896	**78,869**	82,339
Impairment losses on property, plant and equipment	**7,856**	2,339	**1,060**	14,067	**–**	–	**8,916**	16,406

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

	2016	2015
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**242,151**	196,680
Net gain on disposal of non-current assets held for sale	**11,710**	–
Change in fair value of other financial liabilities at fair value through profit or loss	**66**	174
Change in fair value of other financial assets at fair value through profit or loss	**-**	260
Valuation loss on investment properties	**(2,110)**	(607)
Impairment losses on property, plant and equipment	**(8,916)**	(16,406)
Consolidation profit before taxation	**242,901**	180,101

(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 investment properties, other property, plant and equipment, interests in leasehold land held for own use under operating leases 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 property, plant and equipment, and the location of the operation to which they are allocated in the case of goodwill.

	Revenue from external customers		**Specified Non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**2,287,620**	2,069,990	**361,259**	319,774
Mainland China	**140,353**	174,895	**63,983**	64,238
	2,427,973	2,244,885	**425,242**	384,012

4 OTHER REVENUE AND NET LOSSES

	2016	2015
	HK$'000	*HK$'000*
Other revenue		
Interest income	**9,231**	6,684
Other net losses		
Net loss on disposal of property, plant and equipment	**(5,781)**	(5,218)
Net foreign exchange (loss)/gain	**(8,067)**	83
Electric and gas range incentives	**2,974**	3,592
Profit on sale of redemption gifts	**997**	1,177
Compensation paid to landlords upon early termination of tenancy leases	**–**	(4,704)
Others	**1,460**	1,411
	(8,417)	(3,659)

5 PROFIT BEFORE TAXATION

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

	2016	2015
	HK$'000	*HK$'000*
(a) Finance costs		
Change in fair value of other financial assets at fair value through profit or loss	**–**	(260)
Change in fair value of other financial liabilities at fair value through profit or loss	**(66)**	(174)
Interest expense on bank loans	**237**	504
	171	70
(b) Other items		
Cost of inventories *(Note)*	**599,782**	581,642
Depreciation	**78,657**	82,128
Amortisation of interests in leasehold land held for own use under operating leases	**212**	211

Note: The cost of inventories represents food costs.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**39,581**	32,571
(Over)/under-provision in respect of prior years	**(49)**	91
	39,532	32,662
Deferred tax		
Origination and reversal of temporary differences	**2,591**	3,472
	42,123	36,134

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for 2016 as the Group's operations in Mainland China recorded a loss for taxation purpose. In 2015, no provision has been made for PRC corporate income tax as the Group's Mainland China operations have accumulated tax losses brought forward from prior years to offset the estimated assessable profits.

7 DIVIDENDS

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

	2016	2015
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK31.0 cents (2015: HK28.0 cents) per share	**39,312**	35,370
Special interim dividend declared and paid of HK9.0 cents (2015: Nil) per share	**11,413**	–
Final dividend proposed after the end of the reporting period of HK55.0 cents (2015: HK52.0 cents) per share	**69,710**	65,697
Special final dividend proposed after the end of the reporting period of HK45.0 cents (2015: Nil) per share	**57,035**	–
	177,470	101,067

The final and special final dividends 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

	2016	2015
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK52.0 cents (2015: HK39.0 cents) per share	**66,044**	49,295

In respect of the final dividend for the year ended 31 March 2015, there is a difference of HK$347,000 (year ended 31 March 2014: HK$364,000) between the final dividend disclosed in the 2015 annual financial statements and the 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$200,778,000 (2015: HK$143,967,000) and the weighted average number of ordinary shares of 126,574,000 shares (2015: 126,147,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2016	2015
	Number of shares	Number of shares
	'000	*'000*
Issued ordinary shares at 1 April	**126,341**	125,465
Effect of share options exercised	**563**	732
Effect of shares repurchased	**(330)**	(50)
Weighted average number of ordinary share at 31 March	**126,574**	126,147

(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$200,778,000 (2015: HK$143,967,000) and the weighted average number of ordinary shares of 127,454,000 shares (2015: 127,008,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2016 Number of shares *'000*	2015 Number of shares *'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**126,574**	126,147
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**880**	861
Weighted average number of ordinary shares used in calculating diluted earnings per share	**127,454**	127,008

9 OTHER FINANCIAL ASSETS

	2016 *HK$'000*	2015 *HK$'000*
Non-current financial assets		
Held-to-maturity debt security – Unlisted but quoted	**8,405**	8,835
Current financial assets		
Forward foreign exchange contract	**–**	89
	8,405	8,924

The debt security was issued by a financial institution in Mainland China, 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.

10 NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 March 2015, a sale and purchase agreement was entered into with a third party to dispose of certain properties at a consideration of HK$30,993,000. The transaction was completed on 30 April 2015 and a net gain on disposal of HK$11,710,000 was recognised during the year ended 31 March 2016. Land and buildings reserve related to the disposed properties amounting to HK$241,000 were transferred to retained profits.

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:

	2016	2015
	HK$'000	*HK$'000*
1 to 30 days	**2,452**	1,831
31 to 90 days	**466**	327
	2,918	2,158

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:

	2016	2015
	HK$'000	*HK$'000*
1 to 30 days	**99,335**	86,944
31 to 90 days	**2,717**	454
91 to 180 days	**2,740**	61
181 to 365 days	**71**	104
Over one year	**668**	668
	105,531	88,231

13 PROVISIONS

	2016	2015
	HK$'000	*HK$'000*
Provision for long service payments	**17,200**	10,700
Provision for reinstatement costs for rented premises	**40,310**	37,728
	57,510	48,428
Less: Amount included under "current liabilities"	**(13,320)**	(11,664)
	44,190	36,764

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

In the last financial year, we were able to achieve encouraging results, with revenue rising by 8.2% to HK$2,428.0 million compared with HK$2,244.9 million recorded for the corresponding period of last year. Gross profit margin rose to 15.9% (2015: 14.9%). Meanwhile, the Group's profit attributable to equity shareholders totalled HK$200.8 million (2015: HK$144.0 million), representing an increase of 39.5%. Profit before the net gain on disposal of non-current assets held for sale amounted to HK$189.1 million, up by 31.3%. Earnings per share were HK158.62 cents compared to HK114.13 cents for the corresponding period of last year.

Business Review

Over the years, we have been operating our business with a people-oriented focus, striving to do our best for both our customers and staff. Comprehensive staff training and employee engagement have successfully fostered a happy culture within the organisation. As a result, our staff are able to proactively take ownership in serving customers, listening to our customers' needs, and ultimately creating a happy dining experience for our customers. In seeking to not only be a preferred brand, but also to be the most appreciated brand, we work hard to earn our customers' trust and support. To achieve this, we go beyond offering quality food and focus on elevating every aspect of the dining experience. Serving our customers "straight from the heart" has rewarded us with steady and notable improvements in the Group's performance during the year, including winning the Gold Service Appreciation Award of the Hong Kong Association for Customer Service Excellence.

Hong Kong

Our fast food operations have sustained momentum in achieving satisfactory same-store sales growth of approximately 5%. During the year under review, we have aggressively expanded our presence in the city. A total of 13 new outlets were opened. We will continue to strengthen our network in Hong Kong, in an effort to cater to more customers from different walks.

Aside from location convenience, our customers also look for quality food and exceptional service at Fairwood. With that in mind, we have continued to refine our signature dishes and have added new products that can create greater excitement and satisfaction. At the same time, we have once again exceeded our customers' expectations by introducing table service in all of our stores during dinner hours, motivated by our unyielding dedication to better serving our patrons. This service is a significant milestone for the fast food industry and we are proud to be the pioneer.

Driven by our desire to serve the wider community and to fulfil our customers' wants, we have continued to expand our specialty restaurant division, with the launching of a casual Japanese-Western restaurant in early December 2015. The restaurant is currently well managed and is an exciting prospect for further development. As the performance of our specialty restaurants has been encouraging, we are keen to introduce more of them to our customers in the near future.

While meeting the expectations and desires of our customers is important, we are equally aware of the needs of our staff. Hence, we express our appreciation for their efforts and achievements whenever and wherever possible, on top of offering employee development opportunities that include staff training and career path planning. Furthermore, open and proactive communication is encouraged at all levels. This has contributed to low staff turnover rates in both frontline and management staff. We fully believe that nurturing a happy workforce results in a happy dining experience for our customers.

Managing costs are always important for sustainable development. We have continued to dedicate efforts in adopting various strategies to improve our operational performance. A global sourcing strategy; catering menus to better suit our customers' needs; and flexible rosters are supported by the SAP Enterprise Resources Planning system. Our reengineered central food processing plant enables us to deliver higher food preparation efficiency and quality. Aside from managing costs, we have paid much effort to minimise food wastage, better handle labour relation issues and streamline business operations.

Mainland China

With regards to the Mainland China market, we are pleased to see signs of a sustainable turnaround. We have realised top-line and bottom-line growths along with same-store sales growth of approximately 5% in local currency. At the same time, consolidation and alignment of operations with Hong Kong has been completed. Since the Mainland China market is expected to remain competitive, we will monitor the market closely and take prudent steps to expand in Southern China, particularly in Guangzhou and Shenzhen.

Network

During the year under review, the Group has opened 15 new stores, of which 14 were in Hong Kong and one was in Mainland China. As of 31 March 2016, the Group had a total of 125 stores in operation in Hong Kong, of which 119 were fast food stores and six were specialty restaurants. In Mainland China, the Group operates 10 stores.

A Happy Culture

The need to foster a culture of appreciation is always important. We are constantly evaluating how best to engage our patrons and contribute to the community. Ultimately, we hope to become the most appreciated brand. Apart from encouraging expressing appreciation within the team, we also encourage the expression of mutual appreciation between our frontline staff and our customers, to deliver more cheerfulness and warmth to a wider audience.

To help our senior citizens and to express our appreciation and gratitude for their contributions to society, we have continued the "Silver Hair" campaign, "Fairwood $4 Meal Campaign" and "Fairwood Gives Warmth Campaign", along with other promotions with them in mind.

As always, we strive to do our utmost to provide quality service that goes beyond our customers' expectations. Our frontline staff serve our customers with care and thoughtfulness, as reflected by positive customer feedback and comments made to our customer service representatives. The feedback is regularly shared with our team members, motivating them further, boosting morale and reinforcing the idea that the smallest details can make a big difference in serving customers. With this comes greater work satisfaction, as our staff feel that they not only have a direct hand in helping create a happier society, they are in fact members of such a society. We are proud that the efforts made by the Group and the team as a whole have together garnered industry recognition.

Prospects

With the fast pace of life in Hong Kong, there is no denying that fast food culture is deeply rooted in the city. In the foreseeable future, that pace is unlikely to slow down, hence we believe that there remains tremendous potential and opportunity ahead for the industry and we will continue to aggressively develop our operations in Hong Kong.

In respect of the economy in Mainland China, the recovery is expected on a sluggish path. Thus, we will be looking forward to achieving managed growth on the back of the turnaround realised this year. To ensure the happening of such, we will continue to improve all areas of operation and closely align it with Hong Kong.

While the bottom line is considered the true definition of success for many organisations, we sincerely believe that the ultimate measure of success is our ability to serve our customers. This entails offering the finest products and services. As we move forward, we will therefore continue to listen to them, offer total dining experiences and stay alert to developing trends. At the same time, fostering a happy culture within the Group is of our top priority so that we can share that positive energy with our community as well, which is the most important catalyst for long-term sustainable growth.

Liquidity and financial resources

At 31 March 2016, total assets of the Group were HK$1,141.8 million (2015: HK$982.1 million). The Group's working capital was HK$259.9 million (2015: HK$217.5 million), represented by total current assets of HK$656.2 million (2015: HK$537.4 million) against total current liabilities of HK$396.3 million (2015: HK$319.9 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.7 (2015: 1.7). Total equity was HK$676.3 million (2015: HK$600.2 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2016, the Group had bank deposits and cash amounting to HK$548.6 million (2015: HK$419.0 million), representing an increase of 30.9%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 31 March 2016, the Group continued to maintain a healthy financial position and had total bank loans of HK$6.6 million (2015: HK$11.0 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$215.6 million (2015: HK$258.7 million). The gearing ratio of the Group dropped to 1.0% (2015: 1.8%), which was calculated based on the total bank loans over total equity.

Profitability

Return on average equity was 29.6% (2015: 25.4%), being profit attributable to equity shareholders of the Company before the net gain on disposal of non-current assets held for sale against the average total equity at the beginning and the end of the year.

Capital expenditure

During the year, capital expenditure was approximately HK$137.5 million (2015: HK$104.0 million), which was mainly for the renovation works for new and existing shops. The increase was due to more stores 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 a forward interest rate swap with a financial institution. The swap was arranged to match the maturity of the repayment schedule of a bank loan with the maturity over the next half years and had the fixed swap rate of 2.74%.

Charges on the Group's assets

At 31 March 2016, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$1.5 million (2015: HK$1.6 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 2016 were HK$22.3 million (2015: HK$25.4 million).

Contingent liabilities

At 31 March 2016, 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$79.1 million (2015: HK$71.9 million).

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

Employee information

At 31 March 2016, the total number of employees of the Group was approximately 4,900 (2015: 4,500). Staff costs for the year were approximately HK$736.3 million (2015: HK$658.2 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 HK55.0 cents (2015: HK52.0 cents) per share and a special final dividend of HK45.0 cents (2015: Nil) per share for the year ended 31 March 2016. Together with the interim dividend of HK31.0 cents (2015: HK28.0 cents) and a special interim dividend of HK9.0 cents (2015: Nil) per share paid during the year, the total dividend for the year ended 31 March 2016 amounts to HK140.0 cents (2015: HK80.0 cents) per share, representing a total distribution of approximately 88% of the Group's profit for the year. The proposed final and special final dividends will be paid on or before Monday, 3 October 2016 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 20 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 6 September 2016 to Thursday, 8 September 2016 (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 Monday, 5 September 2016 for registration.

The Register of Members will also be closed from Thursday, 15 September 2016 to Tuesday, 20 September 2016 (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 Wednesday, 14 September 2016 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$*
July 2015	204,000	22.60	21.90	4,549,475
August 2015	120,000	22.00	20.50	2,596,900
September 2015	72,000	20.75	20.65	1,491,250
December 2015	51,000	23.95	23.85	1,220,350
January 2016	232,500	23.90	22.25	5,356,350
February 2016	18,000	22.45	22.30	403,200
	697,500			15,617,525

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$14,920,000 and HK$44,000 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 2016, 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 2015/2016 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 2016 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 2016 have been agreed by the Company's auditor to the amount 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 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Company (www.fairwoodholdings.com.hk) and the Stock Exchange (www.hkex.com.hk). The 2015/2016 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

At this time, I would like to offer my appreciation to the management team and all those who make up the Fairwood team for their hard work and perseverance over the past year. I wish to also thank our customers for their continuing patronage. A word of gratitude must certainly be extended to all of our shareholders and business partners as well for their longstanding commitment and confidence in the Group.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 29 June 2016

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.