FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

HIGHLIGHTS

- Revenue was HK$2,580.9 million (2016: HK$2,428.0 million), increased by 6.3%
- Profit for the year was HK$205.3 million (2016: HK$200.8 million), increased by 2.2%. Profit from core operations, before the net gain on disposal of non-current assets held for sale from last year, recorded an increase of 8.6% from HK$189.1 million to HK$205.3 million
- Return on average equity[1] was 29.5% (2016: 29.6%)
- Basic earnings per share were HK161.43 cents (2016: HK158.62 cents)
- Final dividend of HK58.0 cents per share and special final dividend of HK50.0 cents per share were proposed to mark the 45th anniversary of Fairwood. Total dividend per share for the year was HK142.0 cents, representing a payout ratio of approximately 88%

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 2017, together with the comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**2,580,904**	2,427,973
Cost of sales		**(2,181,429)**	(2,040,943)
Gross profit		**399,475**	387,030
Other revenue	4	**7,641**	9,231
Other net losses	4	**(9,209)**	(8,417)
Net gain on disposal of non-current assets held for sale	9	**–**	11,710
Selling expenses		**(24,453)**	(26,239)
Administrative expenses		**(121,533)**	(119,217)
Impairment losses on property, plant and equipment		**(4,892)**	(8,916)
Valuation gain/(loss) on investment properties		**2,510**	(2,110)
Profit from operations		**249,539**	243,072
Finance costs	5(a)	**(94)**	(171)
Profit before taxation	5	**249,445**	242,901
Income tax	6	**(44,164)**	(42,123)
Profit for the year attributable to equity shareholders of the Company		**205,281**	200,778
Earnings per share	8		
Basic		**HK161.43 cents**	HK158.62 cents
Diluted		**HK159.11 cents**	HK157.53 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**205,281**	200,778
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	**(2,280)**	(2,266)
Total comprehensive income for the year attributable to equity shareholders of the Company	**203,001**	198,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	Note	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Non-current assets			
Investment properties		**41,180**	38,670
Other property, plant and equipment		**453,715**	378,955
Interests in leasehold land held for own use under operating leases		**6,404**	6,616
		501,299	424,241
Goodwill		**1,001**	1,001
Rental deposits paid		**69,089**	51,670
Other financial assets	*10*	**7,885**	8,405
Deferred tax assets		**145**	306
		579,419	485,623
Current assets			
Inventories		**41,672**	36,911
Trade and other receivables	*11*	**79,182**	70,706
Other financial assets	*10*	**1,132**	–
Bank deposits and cash		**502,979**	548,607
		624,965	656,224
Current liabilities			
Trade and other payables	*12*	**393,514**	363,860
Bank loans		**1,720**	3,053
Current tax payable		**9,370**	16,102
Provisions	*13*	**12,642**	13,320
		417,246	396,335
Net current assets		**207,719**	259,889
Total assets less current liabilities		**787,138**	745,512

	Note	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Non-current liabilities			
Bank loans		**1,863**	3,583
Deferred tax liabilities		**25,477**	19,394
Rental deposits received		**1,310**	2,007
Provisions	*13*	**43,196**	44,190
		71,846	69,174
Net assets		**715,292**	676,338
Capital and reserves			
Share capital		**127,164**	126,745
Reserves		**588,128**	549,593
Total equity		**715,292**	676,338

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 2017.

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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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:

	2017	2016
	HK$'000	*HK$'000*
Sale of food and beverages	**2,573,823**	2,420,674
Property rental	**7,081**	7,299
	2,580,904	2,427,973

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 restaurants in Hong Kong.

– Mainland China restaurants: this segment operates 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 to 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 2017 and 2016 is set out below.

	Hong Kong restaurants		**Mainland China restaurants**		**Other segments**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,464,845**	2,284,510	**108,978**	136,164	**7,081**	7,299	**2,580,904**	2,427,973
Inter-segment revenue	**–**	–	**–**	–	**4,841**	5,000	**4,841**	5,000
Reportable segment revenue	**2,464,845**	2,284,510	**108,978**	136,164	**11,922**	12,299	**2,585,745**	2,432,973
Reportable segment profit	**236,829**	229,600	**3,145**	2,070	**11,841**	10,481	**251,815**	242,151
Interest income	**7,597**	9,184	**44**	47	**–**	–	**7,641**	9,231
Interest expense on bank loans	**106**	237	**–**	–	**–**	–	**106**	237
Depreciation and amortisation	**82,541**	73,783	**3,926**	4,207	**880**	879	**87,347**	78,869
Impairment losses on property, plant and equipment	**4,892**	7,856	**–**	1,060	**–**	–	**4,892**	8,916

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

	2017	2016
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**251,815**	242,151
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	**12**	66
Valuation gain/(loss) on investment properties	**2,510**	(2,110)
Impairment losses on property, plant and equipment	**(4,892)**	(8,916)
Consolidation profit before taxation	**249,445**	242,901

(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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**2,467,973**	2,287,620	**432,793**	361,259
Mainland China	**112,931**	140,353	**69,507**	63,983
	2,580,904	2,427,973	**502,300**	425,242

4 OTHER REVENUE AND NET LOSSES

	2017	2016
	HK$'000	*HK$'000*
Other revenue		
Interest income	**7,641**	9,231
Other net losses		
Net loss on disposal of property, plant and equipment	**(6,547)**	(5,781)
Net foreign exchange loss	**(9,242)**	(8,067)
Electric and gas range incentives	**3,251**	2,974
Profit on sale of redemption gifts	**726**	997
Others	**2,603**	1,460
	(9,209)	(8,417)

5 PROFIT BEFORE TAXATION

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

	2017	2016
	HK$'000	*HK$'000*
(a) Finance costs		
Change in fair value of other financial liabilities at fair value through profit or loss	**(12)**	(66)
Interest expense on bank loans	**106**	237
	94	171
(b) Other items		
Cost of inventories *(Note)*	**610,573**	599,782
Depreciation	**87,135**	78,657
Amortisation of interests in leasehold land held for own use under operating leases	**212**	212

Note: The cost of inventories represents food costs.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**39,012**	39,581
Over-provision in respect of prior years	**(1,092)**	(49)
	37,920	39,532
Deferred tax		
Origination and reversal of temporary differences	**6,244**	2,591
	44,164	42,123

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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 2017 and 2016 as the Group's Mainland China operations recorded a loss for taxation purpose for both years.

7 DIVIDENDS

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

	2017	2016
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK34.0 cents (2016: HK31.0 cents) per share	**43,317**	39,312
Special interim dividend declared and paid of Nil cent (2016: HK9.0 cents) per share	**–**	11,413
Final dividend proposed after the end of the reporting period of HK58.0 cents (2016: HK55.0 cents) per share	**73,755**	69,710
Special final dividend proposed after the end of the reporting period of HK50.0 cents (2016: HK45.0 cents) per share	**63,582**	57,035
	180,654	177,470

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

	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK55.0 cents (2016: HK52.0 cents) per share	**70,065**	66,044
Special final dividend in respect of the previous financial year, approved and paid during the year, of HK45.0 cents (2016: Nil) per share	**57,326**	–
	127,391	66,044

In respect of the final dividend and special final dividend for the year ended 31 March 2016, there is a difference of HK$646,000 (year ended 31 March 2015: HK$347,000) between the final dividend and special final dividend disclosed in the 2016 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$205,281,000 (2016: HK$200,778,000) and the weighted average number of ordinary shares of 127,162,000 shares (2016: 126,574,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2017 Number of shares *'000*	2016 Number of shares *'000*
Issued ordinary shares at 1 April	**126,745**	126,341
Effect of share options exercised	**488**	563
Effect of shares repurchased	**(71)**	(330)
Weighted average number of ordinary share at 31 March	**127,162**	126,574

(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$205,281,000 (2016: HK$200,778,000) and the weighted average number of ordinary shares of 129,017,000 shares (2016: 127,454,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2017 Number of shares *'000*	2016 Number of shares *'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**127,162**	126,574
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,855**	880
Weighted average number of ordinary shares used in calculating diluted earnings per share	**129,017**	127,454

9 NET GAIN ON DISPOSAL OF 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 with net proceeds 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. The balance of land and buildings revaluation reserve related to the disposed properties amounting to HK$241,000 has transferred to retained profits thereupon.

10 OTHER FINANCIAL ASSETS

	2017	2016
	HK$'000	*HK$'000*
Non-current financial assets		
Held-to-maturity debt security		
– Unlisted but quoted	**7,885**	8,405
Current financial assets		
Foreign currency medium-term note		
– Unlisted but quoted	**1,132**	–
	9,017	8,405

The debt security was issued by a financial institution in Mainland China, denominated in Renminbi, bears interest at a rate of 3.6% per annum and has a term for the period from 13 November 2013 to 13 November 2018.

The medium-term note was issued by a financial institution in Abu Dhabi, denominated in Renminbi, bears interest at a rate of 3.6% per annum with the maturity up to 30 June 2017.

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:

	2017	2016
	HK$'000	*HK$'000*
1 to 30 days	**2,456**	2,452
31 to 90 days	**215**	466
91 to 180 days	**101**	–
	2,772	2,918

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:

	2017	2016
	HK$'000	*HK$'000*
1 to 30 days	**100,197**	99,335
31 to 90 days	**873**	2,717
91 to 180 days	**880**	2,740
181 to 365 days	**75**	71
Over one year	**316**	668
	102,341	105,531

13 PROVISIONS

	2017	2016
	HK$'000	*HK$'000*
Provision for long service payments	**12,023**	17,200
Provision for reinstatement costs for rented premises	**43,815**	40,310
	55,838	57,510
Less: Amount included under "current liabilities"	**(12,642)**	(13,320)
	43,196	44,190

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

In the last financial year, revenue of the Group increased by 6.3% to HK$2,580.9 million (2016: HK$2,428.0 million). Gross profit margin slightly dropped to 15.5% (2016: 15.9%). Profit for the year attributable to equity shareholders amounted to HK$205.3 million (2016: HK$200.8 million), increased by 2.2%. Profit from core operations, before the net gain on disposal of non-current assets held for sale from last year, recorded an increase of 8.6% from HK$189.1 million to HK$205.3 million. Earnings per share were HK161.43 cents (2016: HK158.62 cents).

Business review

The Feel Good Movement

In the relentless pursuit of our mission to ensure our customers "Enjoy Great Food. Live a Great Life!", we have launched the "Feel Good Movement", a comprehensive initiative that further raises the standard of our food quality, menu offerings, service and dining environment.

As in the past, we have never stopped listening to our customers and have kept abreast of developing trends, which have inspired us to introduce a series of new "feel good" dishes. For example, the No MSG series now offers dishes that are cooked with olive oil; the Wholesome Delights series contains low calorie items prepared with less oil and served with red rice; and the Tasty and Green series features vegetarian options. We also offer our customers a more personalised experience, allowing them to choose to have more rice or less rice, white or red rice, different spreads on toast and other customisation options, aimed at satisfying their own preferences.

In our drive to satisfy every need of our customers and to raise our service to still higher standards, we have launched one of the most critical and industry-disrupting elements of our dining experience, namely the "Delivered to Your Table" service. Offered at all Fairwood outlets since April 2016, this dinner-hour service is among the more personal ways that we have sought to exceed the expectations of our customers. We will continue to explore innovative ideas to enhance our food and service quality.

Promoting a happy workforce has always been our priority, which is why we have been offering employee development activities and customer-centric training programmes, along with enhancing staff communication at all levels. Such efforts have resulted in high staff retention across the entire Group and outstanding business performance over the past few years.

As creating the right ambience is essential to the dining experience, we have also introduced a new store design concept, the "Third Generation" of our widely recognised orange-themed interior. Incorporating elements of street art, building materials and architectural features that are unique and distinctly Hong Kong, this Third-generation design not only highlights Hong Kong's inimitable style, but also Fairwood's strong roots in this dynamic city. Holding true to these roots, we have sought out young local artists to contribute to the design of our various outlets, creating a more appealing experience for all of our customers.

Going forward, we will strive to spread the "feel good" factor to our customers, our staff and our community by providing a unique and industry-leading dining environment, delicious food that caters to customers' increasingly healthy lifestyles and service that is warm and friendly, enabling our staff to gain satisfaction and enjoyment from serving our customers.

Hong Kong

The business environment has always been highly challenging, yet the Group has managed to perform favourably, driven by its mission to ensure customers "Enjoy Great Food, Live a Great Life!", as well as a commitment to uphold the highest standards of food quality and service. During the year, the Group had maintained encouraging financial results with same-store sales increased by approximately 4%, reflecting healthy and sustainable organic growth.

Food safety and quality are our highest priority. Through global sourcing and observing strict quality control procedures, including regular third-party laboratory testing and examination of ingredients; our Food Quality and Quality Control Department has ensured that our customers not only enjoy delicious cuisine, but also be assured that our food is of the highest quality and meets stringent safety standards. Consequently, we have steadily strengthened customers' confidence and trust in our food.

Our attention to detail also extends to other facets of our business, such as cost control and improving overall efficiency. Through our global sourcing strategy and upgrading of the Central Food Processing Plant, we are able to promptly respond to market conditions and raise food preparation efficiency respectively. Furthermore, flexible scheduling of our workforce enables us to better utilise human resources. From these and other efforts, we have been able to reduce costs and minimise food wastage, as well as improve labour efficiency, leading to the streamlining of business operations and a corresponding increase in margin and profitability.

We have persisted in aggressive expansion of our presence in Hong Kong. Our casual Japanese-Western concept restaurant, ASAP, has also continued its development. Having been favourably received by young families, this new business model has been deemed a success, and a second ASAP restaurant was opened in January 2017. Another new specialty restaurant offering contemporary Taiwanese cuisine was officially launched in April 2017, with a second restaurant set to open in August 2017.

Mainland China

With respect to the Mainland China market, we now focused on developing the Group's presence in Southern China, particularly in the residential areas of Guangzhou and Shenzhen. We trust that this is the right course to pursue in nurturing the growth of our Mainland China operations and maintaining sustainable development. Continuing alignment with strategies deployed in Hong

Kong, we have introduced the "Feel Good Movement" to Mainland China. We remain cautiously optimistic about our business prospects in Mainland China, and will expand as and when opportunities arise.

During the year, same-shop sales growth was slightly decreased by approximately 1% in local currency due to the sluggish economy in Mainland China and fierce competition. In May 2016, Mainland China tax authority replaced all business tax (BT) of the food catering industry with value-added tax (VAT). This change helps to improve the operating margin of our Mainland China operation.

Network

During the year under review, the Group has opened 20 new stores, including 18 in Hong Kong and two in Mainland China. As of 31 March 2017, the Group has a total of 134 stores in operation in Hong Kong, including 125 fast food stores and nine specialty restaurants. In Mainland China, the Group operates nine stores.

Giving back to the community

In addition to our commitment to serving Fairwood customers, we are also committed to giving back to the community. Towards this objective, we have been distributing "Care for Seniors" cards to express our appreciation to senior citizens for their contributions to society. Since the introduction of this campaign back in 2014, we have distributed over 60,000 cards, in addition to offering menus and amenities that cater to the elderly and the physically challenged, such as priority seating with movable seats, under table hooks, handrails in toilets and non-glare menu boards for easier legibility.

To help other members of the community, we have organised a variety of activities, including the "Fairwood $4 Meal Campaign" and "Fairwood Warm Caring Campaign", among other efforts. Furthermore, as a responsible member of the fast food industry, we have engaged community ambassadors in order to gain a deeper understanding of how to better accommodate the needs of different communities and their members. We have subsequently garnered a number of industry awards in recognition of our efforts, which include the HKACE Customer Service Excellence Award 2016.

Prospects

Moving forward, our primary focus will be on developing our core business in Hong Kong, which will involve aggressive expansion. As for our specialty restaurants, we will continue to improve our new concepts and expand their associated networks in the year ahead.

Most importantly, we will further strengthen our Fairwood Team by offering training and development programmes and by providing rewarding career paths, so as to retain existing employees while also attracting new talent. Through promoting a happy culture, renovating our outlets to create a vibrant atmosphere and introducing more healthy and tasty food options that cater to people of all ages and backgrounds, we will provide a happy dining experience, sustain long-term growth and stay true to our mission, ensuring that our customers "Enjoy Great Food. Live a Great Life!"

Financial Review

Liquidity and financial resources

At 31 March 2017, total assets of the Group were HK$1,204.4 million (2016: HK$1,141.8 million). The Group's working capital was HK$207.7 million (2016: HK$259.9 million), represented by total current assets of HK$625.0 million (2016: HK$656.2 million) against total current liabilities of HK$417.3 million (2016: HK$396.3 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.5 (2016: 1.7). Total equity was HK$715.3 million (2016: HK$676.3 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2017, the Group had bank deposits and cash amounting to HK$503.0 million (2016: HK$548.6 million), representing a decrease of 8.3%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 31 March 2017, the Group continued to maintain a healthy financial position and had total bank loans of HK$3.6 million (2016: HK$6.6 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$190.1 million (2016: HK$215.6 million). The gearing ratio of the Group dropped to 0.5% (2016: 1.0%), which was calculated based on the total bank loans over total equity.

Profitability

Return on average equity was 29.5% (2016: 29.6%), 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$174.5 million (2016: HK$137.5 million), which was mainly for the renovation works for new and existing shops. The increase was mainly 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 banks 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.

Charges on the Group's assets

At 31 March 2017, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$1.4 million (2016: HK$1.5 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 2017 were HK$14.1 million (2016: HK$22.3 million).

Contingent liabilities

At 31 March 2017, 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 these guarantee arrangements. The maximum liability of the Company at the end of the reporting period under these guarantees is the amount of the facilities drawn down by all the subsidiaries that are covered by these guarantees, being HK$85.5 million (2016: HK$79.1 million).

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

Employee information

At 31 March 2017, the total number of employees of the Group was approximately 5,300 (2016: 4,900). Staff costs for the year were approximately HK$801.5 million (2016: HK$736.3 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 HK58.0 cents (2016: HK55.0 cents) per share and a special final dividend of HK50.0 cents (2016: HK45.0 cents) per share for the year ended 31 March 2017. Together with the interim dividend of HK34.0 cents (2016: HK31.0 cents and a special interim divided HK9.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2017 amounts to HK142.0 cents (2016: HK140.0 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 Tuesday, 3 October 2017 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 18 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 1 September 2017 to Thursday, 7 September 2017 (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 Thursday, 31 August 2017 for registration.

The Register of Members will also be closed from Thursday, 14 September 2017 to Monday, 18 September 2017 (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, 13 September 2017 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$*	*HK$*
December 2016	239,500	30.50	28.20	7,139,450

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$6,900,000 and HK$20,000 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 2017, 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 2016/2017 Annual Report.

AUDIT COMMITTEE

The audit committee comprises four 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 2017 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 2017 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 2017.

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 2016/2017 Annual Report of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

I would like to take this opportunity to thank the management team and the entire Fairwood workforce for their hard work and dedication over the past year. I wish to also express my gratitude to the many customers who visit our outlets every day, as they provide us with the motivation to work even harder. Last but not least, I would like to offer my appreciation to all of our shareholders and business partners for their unwavering commitment and trust in the Group.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 22 June 2017

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; and
Independent Non-executive Directors: Mr Ng Chi Keung, Mr Joseph Chan Kai Nin, Dr Peter Lau Kwok Kuen, Mr Tony Tsoi Tong Hoo and Mr Peter Wan Kam To.