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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 2018

HIGHLIGHTS

- Profit for the year increased by 5.3% from HK$205.3 million to HK$216.1 million
- Revenue was HK$2,840.6 million (2017: HK$2,580.9 million), increased by 10.1%
- Return on average equity[1] was 29.2% (2017: 29.5%)
- Basic earnings per share were HK169.16 cents (2017: HK161.43 cents)
- Final dividend of HK105.0 cents per share was proposed, representing a total dividend per share for the year of HK142.0 cents and a payout ratio of approximately 84%

Note 1: Return on average equity is defined as profit attributable to equity shareholders of the Company 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 2018, together with the comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*3*	**2,840,571**	2,580,904
Cost of sales		**(2,434,701)**	(2,181,429)
Gross profit		**405,870**	399,475
Other revenue	*4*	**7,377**	7,641
Other net gain/(loss)	*4*	**10,778**	(9,209)
Selling expenses		**(31,227)**	(24,453)
Administrative expenses		**(133,947)**	(121,533)
Net impairment losses on property, plant and equipment		**(8,668)**	(4,892)
Valuation gain on investment properties		**4,850**	2,510
Profit from operations		**255,033**	249,539
Finance costs	*5(a)*	**(68)**	(94)
Profit before taxation	*5*	**254,965**	249,445
Income tax	*6*	**(38,888)**	(44,164)
Profit for the year attributable to equity shareholders of the Company		**216,077**	205,281
Earnings per share	*8*		
Basic		**HK169.16 cents**	HK161.43 cents
Diluted		**HK167.11 cents**	HK159.11 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**216,077**	205,281
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	**3,616**	(2,280)
Total comprehensive income for the year attributable to equity shareholders of the Company	**219,693**	203,001

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Note	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Non-current assets			
Investment properties		**46,030**	41,180
Other property, plant and equipment		**493,838**	453,715
Interests in leasehold land held for own use under operating leases		**6,192**	6,404
		546,060	501,299
Goodwill		**1,001**	1,001
Rental deposits paid		**71,602**	69,089
Other financial assets	*9*	**7,785**	7,885
Deferred tax assets		**107**	145
		626,555	579,419
Current assets			
Inventories		**40,500**	41,672
Trade and other receivables	*10*	**87,747**	79,182
Other financial assets	*9*	**16,246**	1,132
Current tax recoverable		**67**	–
Bank deposits and cash		**520,597**	502,979
		665,157	624,965
Current liabilities			
Trade and other payables	*11*	**430,890**	393,514
Bank loan		**1,720**	1,720
Current tax payable		**10,491**	9,370
Provisions	*12*	**11,774**	12,642
		454,875	417,246
Net current assets		**210,282**	207,719
Total assets less current liabilities		**836,837**	787,138

	Note	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Non-current liabilities			
Bank loan		**143**	1,863
Deferred tax liabilities		**24,614**	25,477
Rental deposits received		**2,165**	1,310
Provisions	*12*	**46,809**	43,196
		73,731	71,846
Net assets		**763,106**	715,292
Capital and reserves			
Share capital		**127,793**	127,164
Reserves		**635,313**	588,128
Total equity		**763,106**	715,292

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 2018.

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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments impact on the accounting policies of the group. However, additional disclosure has been included in the Group's financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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:

	2018	2017
	HK$'000	*HK$'000*
Sale of food and beverages	**2,833,144**	2,573,823
Property rental	**7,427**	7,081
	2,840,571	2,580,904

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 2018 and 2017 is set out below.

	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,702,855**	2,464,845	**130,289**	108,978	**7,427**	7,081	**2,840,571**	2,580,904
Inter-segment revenue	**–**	–	**–**	–	**4,793**	4,841	**4,793**	4,841
Reportable segment revenue	**2,702,855**	2,464,845	**130,289**	108,978	**12,220**	11,922	**2,845,364**	2,585,745
Reportable segment profit	**240,974**	236,829	**8,987**	3,145	**8,822**	11,841	**258,783**	251,815
Interest income	**7,323**	7,597	**54**	44	**–**	–	**7,377**	7,641
Interest expense on bank loans	**68**	106	**–**	–	**–**	–	**68**	106
Depreciation and amortisation	**93,424**	82,541	**4,503**	3,926	**864**	880	**98,791**	87,347
Impairment losses on property, plant and equipment	**11,160**	4,892	**–**	–	**–**	–	**11,160**	4,892
Reversal of impairment losses on property, plant and equipment	**2,492**	–	**–**	–	**–**	–	**2,492**	–

(ii) Reconciliations of reportable segment profit

	2018	2017
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**258,783**	251,815
Change in fair value of other financial liabilities at fair value through profit or loss	**–**	12
Valuation gain on investment properties	**4,850**	2,510
Net impairment losses on property, plant and equipment	**(8,668)**	(4,892)
Consolidated profit before taxation	**254,965**	249,445

(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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**2,706,274**	2,467,973	**466,886**	432,793
Mainland China	**134,297**	112,931	**80,175**	69,507
	2,840,571	2,580,904	**547,061**	502,300

4 OTHER REVENUE AND NET GAIN/(LOSS)

	2018	2017
	HK$'000	*HK$'000*
Other revenue		
Interest income	**7,377**	7,641
Other net gain/(loss)		
Net loss on disposal of property, plant and equipment	**(4,665)**	(6,547)
Net foreign exchange gain/(loss)	**8,429**	(9,242)
Electric and gas range incentives	**3,839**	3,251
Profit on sale of redemption gifts	**1,047**	726
Others	**2,128**	2,603
	10,778	(9,209)

5 PROFIT BEFORE TAXATION

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

		2018 *HK$'000*	2017 *HK$'000*
(a)	**Finance costs**		
	Change in fair value of other financial liabilities at fair value through profit or loss	–	(12)
	Interest expense on bank loans	**68**	106
		68	94
(b)	**Other items**		
	Cost of inventories *(Note)*	**679,785**	610,573
	Depreciation	**98,579**	87,135
	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

	2018 *HK$'000*	2017 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**39,713**	39,012
Over-provision in respect of prior years	–	(1,092)
	39,713	37,920
Deferred tax		
Origination and reversal of temporary differences	**(825)**	6,244
	38,888	44,164

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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 2018 as the Group's Mainland China operations have accumulated tax losses brought forward from prior years to offset the estimated assessable profits. No provision has been made for PRC corporate income tax for 2017 as the Group's Mainland China operations sustained a loss for taxation purpose.

7 DIVIDENDS

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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK37.0 cents (2017: HK34.0 cents) per share	**47,313**	43,317
Final dividend proposed after the end of the reporting period of HK105.0 cents (2017: HK58.0 cents) per share	**134,183**	73,755
Special final dividend proposed after the end of the reporting period of Nil cent (2017: HK50.0 cents) per share	**–**	63,582
	181,496	180,654

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

	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK58.0 cents (2017: HK55.0 cents) per share	**74,157**	70,065
Special final dividend in respect of the previous financial year, approved and paid during the year, of HK50.0 cents (2017: HK45.0 cents) per share	**63,928**	57,326
	138,085	127,391

In respect of the final dividend and special final dividend for the year ended 31 March 2017, there is a difference of HK$748,000 (year ended 31 March 2016: HK$646,000) between the final dividend and special final dividend disclosed in the 2017 annual financial statements and the amount approved and paid during the year which represents dividends attributable to 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$216,077,000 (2017: HK$205,281,000) and the weighted average number of ordinary shares of 127,735,000 shares (2017: 127,162,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2018 Number of shares ***'000***	2017 Number of shares *'000*
Issued ordinary shares at 1 April	**127,164**	126,745
Effect of share options exercised	**583**	488
Effect of shares repurchased	**(12)**	(71)
Weighted average number of ordinary shares at 31 March	**127,735**	127,162

(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$216,077,000 (2017: HK$205,281,000) and the weighted average number of ordinary shares of 129,301,000 shares (2017: 129,017,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2018 Number of shares ***'000***	2017 Number of shares *'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**127,735**	127,162
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,566**	1,855
Weighted average number of ordinary shares used in calculating diluted earnings per share	**129,301**	129,017

9 OTHER FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Non-current financial assets		
Held-to-maturity debt securities		
– Unlisted but quoted	**7,785**	7,885
Current financial assets		
Held-to-maturity debt securities		
– Unlisted but quoted	**16,246**	1,132
	24,031	9,017

The non-current debt securities represented medium term notes (a) issued by a financial institution in Mainland China, denominated in United States dollars, bears interest at a rate of 2.8% per annum with maturity date of 20 October 2020; and (b) issued by a financial institution in Luxembourg, denominated in United States dollars, bears interest at rate of 2.3% per annum with maturity date of 12 July 2021.

The current debt securities represented medium term notes issued by financial institutions in Mainland China, denominated in Renminbi, bear interests at rates of 3.6% and 3.8% per annum with maturity dates of 13 November 2018 and 19 November 2018 respectively.

The current debt security as at 31 March 2017 represented medium term note issued by a financial institution in Abu Dhabi, United Arab Emirates, denominated in Renminbi, bore interest at a rate of 3.6% per annum and matured on 30 June 2017.

10 TRADE AND OTHER RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
1 to 30 days	**7,553**	2,456
31 to 90 days	**53**	215
91 to 180 days	**–**	101
	7,606	2,772

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

11 TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
1 to 30 days	**116,504**	100,197
31 to 90 days	**334**	873
91 to 180 days	**91**	880
181 to 365 days	**8**	75
Over one year	**362**	316
	117,299	102,341

12 PROVISIONS

	2018	2017
	HK$'000	*HK$'000*
Provision for long service payments	**12,273**	12,023
Provision for reinstatement costs for rented premises	**46,310**	43,815
	58,583	55,838
Less: Amount included under "current liabilities"	**(11,774)**	(12,642)
	46,809	43,196

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

Revenue of the Group for the review year increased by 10.1% year-on-year to HK$2,840.6 million (2017: HK$2,580.9 million). Profit attributable to equity shareholders was HK$216.1 million (2017: HK$205.3 million), representing an increase of 5.3%. Gross profit margin was receded to 14.3% (2017: 15.5%). Earnings per share were HK169.16 cents (2017: HK161.43 cents).

The Feel Good Movement – a customer-centric approach

Since the introduction of the "Feel Good Movement", we have been providing customer-centric food and services that have earned highly favourable feedback from the public; encouraging us to better serve them, touch their hearts, and to continue exceeding their expectations.

Taking into account today's health trends, we have focused on providing "Feel Good" products and services. This is underscored by the launch of low-sodium menus abiding by the World Health Organization's recommendation of consuming slightly less than one level teaspoon of salt per day – a first in the industry. We have also introduced a wide range of healthy dishes, including but not limited to our "Wholesome Delight" series, "No-MSG-added" series, "Tasty and Green" series and low-calorie breakfast and tea sets. In addition, all customers have the choice of either white or red rice to complement their main dishes, and, all of our dishes now come with more vegetables. We also use olive oil for cooking the No-MSG-added series. All of these efforts are directly aimed at addressing the public's increasing demand for healthy food.

Since the customer experience is an essential part of the Fairwood "Feel Good Movement", we have sought to go the extra mile for them. Our "Delivered to your Table" service for example, is now available not only during dinner hours, but also for dishes that are made to order, which ensures that customers are provided with the highest quality meals in a stress-free dining environment. In addition, we offer different menu solutions to suit different customer preferences, such as late lunch and early dinner meals, as well as weekend menus in certain locations based on the demand of that area's customers.

To enable our staff to gain a better understanding of customers, hone their observation skills and motivate them to lend a helping hand, we have established special training activities for them. Such training fosters our frontline staff to simulate the experience of individuals suffering from visual impairment and advancing age. The activities' ultimate aim is to inspire and motivate our frontline team to empathise with and better serve our customers.

Just as it is important to offer an enjoyable experience for our customers, creating an appreciative, rewarding and happy working environment for our staff is also part and parcel of the "Feel Good Movement". We have consequently placed tremendous effort on strengthening communications and understanding with our employees as well as providing incentives to reward their hard work. As a result, the Group has continued to record improvements in its staff retention rate.

As for retaining customers, we recognise that creating a memorable and inviting ambience is essential, and represents yet another facet of the "Feel Good Movement". Having introduced the "Third Generation" orange-theme interior design last year, more than 20 restaurants have since adopted this style, and we have added amenities to create a brighter and more comfortable environment. Furthermore, we now provide even more movable chairs to address the needs of the elderly and physically challenged.

As an industry pioneer, we have sought to deliver total dining experiences that exceed customers' expectations. Our "Feel Good Movement" echoes this commitment and has resulted in encouraging reviews from patrons and outstanding business performance over the past few years. Such success will spur us on to continue delivering happy experiences not only to customers, but also to our staff and surrounding communities.

Business review

Hong Kong

While the food and beverage industry has been highly challenging this year, the same-store sales growth rate was maintained approximately at 3%. The Group is a firm believer in planning ahead and taking a hands-on approach to overcoming difficulties. This is reflected by the measures that we have taken to ensure customers enjoy the highest quality cuisine, such as focusing on developing customer-centric menus, upholding food and service quality standards, increasing store efficiency and employing global sourcing. As a consequence, the Group has also been able to manage the impact of various industry challenges, including the shortage of labour.

Operating costs are another area that the Group has been able to effectively manage. Among the efforts undertaken include the further upgrading of automation technology at our Central Food Processing Plant, which has led to higher food preparation efficiency and improved quality, as well as a reduction in food waste and the streamlining of business operations. The SAP Enterprise Resources Planning ("ERP") system has also helped us grasp the data to manage our business.

On the restaurant operations front, we have continued to employ an aggressive expansion strategy so as to better reach our customers. In total, 11 new fast food stores have been opened in Hong Kong during the year, and we will examine more locations to further grow our local footprint. With regard to our specialty restaurants, we continue to follow a moderate approach towards expansion. These restaurants have operated seamlessly and received favourable reviews from customers during the past year.

Mainland China

By aligning the Group's Mainland China business with Hong Kong's "Feel Good Movement", the business has been able to achieve encouraging growth. The same-store sales growth rate in local currency was approximately 13%. This encouraging growth was attributable to our ability to select strategic locations in the residential districts of Guangzhou and Shenzhen, as well as our decision to capitalise on the strong demand for food delivery by forging ties with two of the largest food delivery service providers in the country. At the same time, we have aligned local operations with our Hong Kong counterpart, including standards for food quality and service. We remain cautiously optimistic about our operations, and will expand our presence correspondingly.

Network

During the year under review, the Group has opened 15 new stores, including 14 in Hong Kong and one in Mainland China. As of 31 March 2018, the Group has a total of 145 stores in Hong Kong, including 134 fast food stores and 11 specialty restaurants. In Mainland China, the Group operates 10 stores.

Giving back to the community

Just as we are fully committed to delivering the highest quality food and services to our customers, our commitment to engaging the community is equally staunch. During the year, we have continued to initiate programmes for addressing the needs of the elderly and people with special needs, including the "Care for Seniors" programme, with more than 110,000 discount cards distributed – representing approximately 10% of senior citizen card holders in Hong Kong, and the "Fairwood Give Warmth Campaign" which involves the distribution of food, clothing and daily necessities to individuals in need. We also focus on improving the dining environment (hardware and service) to ensure customers enjoy the most out of their visits to our restaurants.

Our charitable spirit is also expressed in other ways, including collaboration with organisations such as Food-Co that redistribute surplus food to feed the needy. In order to better understand the needs of specific communities, we are also proud to pioneer the deployment of community ambassadors. Through their feedback, we are able to provide the most relevant and impactful assistance to our community.

Prospects

In the coming year, we will seek to further bolster our core business, and will place particular focus on expanding our presence in the Hong Kong market. To facilitate such expansion will require a devoted workforce; hence we will be building the "Fairwood Team" by offering training and professional development that enables employees to shape their own careers, while also attracting more young talent.

The ongoing development of the Group is part of our vision to become the most appreciated F&B management group in Hong Kong and of our long-standing mission to encourage customers to "Enjoy Great Food. Live a Great Life!" Both principles form the foundation not only for our long-term growth as a company, but also for our role as a responsible corporate citizen. While offering a total dining experience and welcoming environment to the public as part of the "Feel Good Movement" is one means of upholding our principles, we will strive to do even more to imbue our community with positivity, while also proactively address the needs of our stakeholders.

Financial Review

Liquidity and financial resources

At 31 March 2018, total assets of the Group were HK$1,291.7 million (2017: HK$1,204.4 million). The Group's working capital was HK$210.3 million (2017: HK$207.7 million), represented by total current assets of HK$665.2 million (2017: HK$625.0 million) against total current liabilities of HK$454.9 million (2017: HK$417.3 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.5 (2017: 1.5). Total equity was HK$763.1 million (2017: HK$715.3 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2018, the Group had bank deposits and cash amounting to HK$520.6 million (2017: HK$503.0 million), representing an increase of 3.5%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 31 March 2018, the Group continued to maintain a healthy financial position and had total bank loan of HK$1.9 million (2017: HK$3.6 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$213.7 million (2017: HK$190.1 million). The gearing ratio of the Group dropped to 0.2% (2017: 0.5%), which was calculated based on the total bank loan over total equity.

Profitability

Return on average equity was 29.2% (2017: 29.5%), being profit attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the year.

Capital expenditure

During the year, capital expenditure was approximately HK$151.0 million (2017: HK$174.5 million), which was mainly for the renovation works for new and existing stores. The decrease was mainly due to fewer 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 2018, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$1.3 million (2017: HK$1.4 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 2018 were HK$16.8 million (2017: HK$14.1 million).

Contingent liabilities

At 31 March 2018, guarantees are given to banks by the Company in respect of a mortgage loan 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$93.2 million (2017: HK$85.5 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 2018, the total number of employees of the Group was approximately 5,600 (2017: 5,300). Staff costs for the year were approximately HK$904.7 million (2017: HK$801.5 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 HK105.0 cents (2017: a final dividend of HK58.0 cents and a special final dividend of HK50.0 cents) per share for the year ended 31 March 2018. Together with the interim dividend of HK37.0 cents (2017: HK34.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2018 amounts to HK142.0 cents (2017: HK142.0 cents) per share, representing a total distribution of approximately 84% of the Group's profit for the year. The proposed final dividend will be paid on or before Thursday, 4 October 2018 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 17 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 4 September 2018 to Thursday, 6 September 2018 (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, 3 September 2018 for registration.

The Register of Members will also be closed from Thursday, 13 September 2018 to Monday, 17 September 2018 (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 Room 1712–6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 12 September 2018 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$*	*HK$*
February 2018	87,000	30.80	30.70	2,675,600

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$2,589,000 and HK$8,000 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 2018, 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 2017/2018 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 2018 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 2018 have been agreed by the Company's external auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with HKAS, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by KPMG on this announcement.

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 2018.

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 2017/2018 Annual Report of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

I wish to extend my appreciation to the management team and all of our staff for their commitment and hard work over the past year. I would like to also thank all of our customers for their loyal patronage, which is the highest accolade that we can receive. Lastly, I wish to express my appreciation to our many shareholders and business partners for their staunch support and confidence in the Group.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 27 June 2018

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), Ms Mak Yee Mei and Ms Peggy Lee; 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.