FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

HIGHLIGHTS

- Revenue was HK$2,970.5 million (2018: HK$2,840.6 million), increased by 4.6%
- Profit for the year decreased by 16.7% from HK$216.1 million to HK$179.9 million
- Return on average equity[1] was 23.4% (2018: 29.2%)
- Basic earnings per share were HK140.00 cents (2018: HK169.16 cents)
- Final dividend of HK81.0 cents per share was proposed, representing a total dividend per share for the year of HK118.0 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 2019, together with the comparative figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**2,970,524**	2,840,571
Cost of sales		**(2,586,321)**	(2,434,701)
Gross profit		**384,203**	405,870
Other revenue	*4*	**10,227**	7,377
Other net (loss)/gain	*4*	**(835)**	10,778
Selling expenses		**(30,063)**	(31,227)
Administrative expenses		**(136,227)**	(133,947)
Net impairment losses on property, plant and equipment		**(10,221)**	(8,668)
Valuation (losses)/gain on investment properties		**(1,880)**	4,850
Profit from operations		**215,204**	255,033
Finance costs	*5(a)*	**(32)**	(68)
Profit before taxation	*5*	**215,172**	254,965
Income tax	*6*	**(35,225)**	(38,888)
Profit for the year attributable to equity shareholders of the Company		**179,947**	216,077
Earnings per share	*8*		
Basic		**HK140.00 cents**	HK169.16 cents
Diluted		**HK138.99 cents**	HK167.11 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**179,947**	216,077
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	**(1,956)**	3,616
Total comprehensive income for the year attributable to equity shareholders of the Company	**177,991**	219,693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	Note	At 31 March 2019 HK$'000	At 31 March 2018 HK$'000
Non-current assets			
Investment properties		**44,150**	46,030
Other property, plant and equipment		**468,503**	493,838
Interests in leasehold land held for own use under operating leases		**5,980**	6,192
		518,633	546,060
Goodwill		**1,001**	1,001
Rental deposits paid		**68,517**	71,602
Other financial assets	*9*	**19,825**	7,785
Deferred tax assets		**44**	107
		608,020	626,555
Current assets			
Inventories		**33,560**	40,500
Trade and other receivables	*10*	**102,424**	87,747
Other financial assets	*9*	**11,950**	16,246
Current tax recoverable		**–**	67
Bank deposits and cash and cash equivalents		**519,854**	520,597
		667,788	665,157
Current liabilities			
Trade and other payables	*11*	**385,203**	430,890
Bank loan		**143**	1,720
Current tax payable		**10,494**	10,491
Provisions	*12*	**23,687**	11,774
		419,527	454,875
Net current assets		**248,261**	210,282
Total assets less current liabilities		**856,281**	836,837

	Note	At 31 March 2019 HK$'000	At 31 March 2018 HK$'000
Non-current liabilities			
Bank loan		**–**	143
Deferred tax liabilities		**19,599**	24,614
Rental deposits received		**2,286**	2,165
Provisions	*12*	**56,718**	46,809
		78,603	73,731
Net assets		**777,678**	763,106
Capital and reserves			
Share capital		**128,650**	127,793
Reserves		**649,028**	635,313
Total equity		**777,678**	763,106

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 2019.

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

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

(b) ***Credit losses***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and other financial assets).

The adoption of HKFRS 9 does not have any material impact on the financial position and the financial result of the Group.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of HKFRS 15 has no material impact on the Group's financial position and performance during the relevant periods.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) ***Timing of revenue recognition***

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have any material impact on the timing of revenue recognition of the Group.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred. There has been no impact on the Group as a result of this change in policy.

(c) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a result of the changes in presentation, the Group has made the following classification at 1 April 2018 and 31 March 2019.

(i) "Advances receipts from coupons" in respect of advance payments from customers amounting to HK$1,943,000 as at 1 April 2018 and HK$3,061,000 as at 31 March 2019 are now presented as "Contract liabilities" included in "Trade and other payables".

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

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 and excludes value added tax or other sales taxes and is after deduction of any trade discounts. An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Sale of food and beverages	**2,962,885**	2,833,144
Property rental	**7,639**	7,427
	2,970,524	2,840,571

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 2019 and 2018 is set out below.

	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,839,910**	2,702,855	**122,975**	130,289	**7,639**	7,427	**2,970,524**	2,840,571
Inter-segment revenue	**–**	–	**–**	–	**4,938**	4,793	**4,938**	4,793
Reportable segment revenue	**2,839,910**	2,702,855	**122,975**	130,289	**12,577**	12,220	**2,975,462**	2,845,364
Reportable segment profit	**207,767**	240,974	**6,994**	8,987	**12,512**	8,822	**227,273**	258,783
Interest income	**10,173**	7,323	**54**	54	**–**	–	**10,227**	7,377
Interest expense on bank loans	**32**	68	**–**	–	**–**	–	**32**	68
Depreciation and amortisation	**100,566**	93,424	**3,987**	4,503	**922**	864	**105,475**	98,791
Impairment losses on property, plant and equipment	**9,517**	11,160	**704**	–	**–**	–	**10,221**	11,160
Reversal of impairment losses on property, plant and equipment	**–**	2,492	**–**	–	**–**	–	**–**	2,492

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

	2019	2018
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**227,273**	258,783
Valuation (losses)/gain on investment properties	**(1,880)**	4,850
Net impairment losses on property, plant and equipment	**(10,221)**	(8,668)
Consolidated profit before taxation	**215,172**	254,965

(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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**2,843,528**	2,706,274	**444,539**	466,886
Mainland China	**126,996**	134,297	**75,095**	80,175
	2,970,524	2,840,571	**519,634**	547,061

4 OTHER REVENUE AND NET (LOSS)/GAIN

	2019	2018
	HK$'000	*HK$'000*
Other revenue		
Interest income	**10,227**	7,377
Other net (loss)/gain		
Net loss on disposal of property, plant and equipment	**(3,300)**	(4,665)
Net foreign exchange (loss)/gain	**(5,413)**	8,429
Electric and gas range incentives	**4,073**	3,839
Profit on sale of redemption gifts	**1,148**	1,047
Others	**2,657**	2,128
	(835)	10,778

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2019	2018
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest expense on bank loans	**32**	68
(b)	**Other items**		
	Cost of inventories *(Note)*	**696,610**	679,785
	Depreciation	**105,263**	98,579
	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

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**40,177**	39,713
Deferred tax		
Origination and reversal of temporary differences	**(4,952)**	(825)
	35,225	38,888

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018-2019.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 March 2019 is calculated in accordance with the two-tiered profits tax regime (2018: a single tax rate of 16.5% was applied).

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for 2019 as the Group's Mainland China operations sustained a loss for taxation purpose. No provision has been made for 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.

7 DIVIDENDS

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

	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK37.0 cents (2018: HK37.0 cents) per share	**47,597**	47,313
Final dividend proposed after the end of the reporting period of HK81.0 cents (2018: HK105.0 cents) per share	**104,207**	134,183
	151,804	181,496

In respect of the interim dividend for the six months ended 30 September 2018, there is a difference of HK$48,000 (six months ended 30 September 2017: HK$4,000) between the interim dividend disclosed in the 2018/2019 interim financial statements and amounts approved and payable after the interim period. The difference 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.

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

	2019	2018
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK105.0 cents (2018: HK58.0 cents) per share	**135,208**	74,157
Special final dividend in respect of the previous financial year, approved and paid during the year, of nil cent (2018: HK50.0 cents) per share	**–**	63,928
	135,208	138,085

In respect of the final dividend for the year ended 31 March 2018, there is a difference of HK$1,025,000 (final dividend and special final dividend for the year ended 31 March 2017: HK$748,000) between the final dividend disclosed in the 2018 annual financial statements and amounts 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$179,947,000 (2018: HK$216,077,000) and the weighted average number of ordinary shares of 128,538,000 shares (2018: 127,735,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2019 Number of shares *'000*	2018 Number of shares *'000*
Issued ordinary shares at 1 April	**127,793**	127,164
Effect of share options exercised	**797**	583
Effect of shares repurchased	**(52)**	(12)
Weighted average number of ordinary shares at 31 March	**128,538**	127,735

(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$179,947,000 (2018: HK$216,077,000) and the weighted average number of ordinary shares of 129,467,000 shares (2018: 129,301,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2019 Number of shares *'000*	2018 Number of shares *'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**128,538**	127,735
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**929**	1,566
Weighted average number of ordinary shares used in calculating diluted earnings per share	**129,467**	129,301

9 OTHER FINANCIAL ASSETS

	2019	2018
	HK$'000	*HK$'000*
Non-current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	**19,825**	7,785
Current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	**11,950**	16,246
	31,775	24,031

The non-current debt securities represented medium term notes (a) issued by a financial institution in Mainland China, denominated in United States dollars, bear interest at a rate of 2.8% per annum with maturity date of 20 October 2020; (b) issued by a financial institution in Luxembourg, denominated in United States dollars, bear interest at a rate of 2.3% per annum with maturity date of 12 July 2021; and (c) issued by a financial institution in Hong Kong, denominated in Renminbi, bear interest at a rate of 4.5% per annum with maturity date of 20 November 2021.

The non-current debt securities as at 31 March 2018 represented medium term notes (a) issued by a financial institution in Mainland China, denominated in United States dollars, bore 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, bore interest at a rate of 2.3% per annum with maturity date of 12 July 2021.

The current debt securities represented certificates of deposit issued by a financial institution in Australia, denominated in Renminbi, bear interest at a rate of 3.6% per annum with maturity date of 29 July 2019.

The current debt securities as at 31 March 2018 represented medium term notes issued by financial institutions in Mainland China, denominated in Renminbi, bore interests at rates of 3.6% and 3.8% per annum with maturity dates of 13 November 2018 and 19 November 2018 respectively.

10 TRADE AND OTHER RECEIVABLES

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

	2019	2018
	HK$'000	*HK$'000*
1 to 30 days	**10,346**	7,553
31 to 90 days	**128**	53
91 to 180 days	**23**	–
181 to 365 days	**3**	–
	10,500	7,606

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:

	2019	2018
	HK$'000	*HK$'000*
1 to 30 days	**101,176**	116,504
31 to 90 days	**1,397**	334
91 to 180 days	**1,815**	91
181 to 365 days	**57**	8
Over one year	**295**	362
	104,740	117,299

12 PROVISIONS

	2019	2018
	HK$'000	*HK$'000*
Provision for long service payments	**18,439**	12,273
Provision for reinstatement costs for rented premises	**61,966**	46,310
	80,405	58,583
Less: Amount included under "current liabilities"	**(23,687)**	(11,774)
	56,718	46,809

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

Revenue of the Group for the review year increased by 4.6% year-on-year to HK$2,970.5 million (2018: HK$2,840.6 million). Profit attributable to equity shareholders was HK$179.9 million (2018: HK$216.1 million), representing a decrease of 16.7%. Gross profit margin receded to 12.9% (2018: 14.3%). Basic earnings per share were HK140.00 cents (2018: HK169.16 cents).

Business review

Fairwood is known for delicious food with exceptional value, prepared and delivered in a way that enhances people's dining experience. Our challenge is to continue building upon this in the face of changing lifestyles, food preferences, and an ever increasing diversity of customer groups. This year our efforts were focused on finding new ways to enhance the Fairwood Feel Good experience – not just for our customers, but also for the wider community we are part of.

During the review period, we enhanced our menus to meet the expectations of different types of diners, and further cement our reputation as a customer-centric restaurant chain. For our more health-conscious customers, we expanded the healthy options under our "Tasty and Green" and "Wholesome Delights" series and added more choices to our low-calorie breakfast sets. Nevertheless, many of our customers still value the local flavours we offer. For these, we developed new mass-appeal dishes, giving customers more tasty choices.

Developing our team

The experience of dining at Fairwood entails more than tasty and healthy food on the plate. Our customers' enjoyment also comes from the positive interaction with our staff. This year we have devoted significant resources ensuring our restaurant teams were engaged, motivated and happy in their work. We believe that only a happy working team can achieve levels of service excellence that will guarantee happy customers.

With respect to new staff members, we have enriched our front-line staff orientation programmes. These programmes deliver a wide range of introductory training courses aimed at familiarising new colleagues with the fast food industry so that they can quickly adapt to the working environment. For our more experienced team members, we have enhanced our advanced training programmes to prepare suitable candidates for career advancement, including the possibility of taking on managerial roles in the future.

Apart from the training we offered, we have implemented numerous initiatives designed to create an cohesive and happy working environment. This involves activities such as retreats, social gatherings, movie days, and various other occasions to foster bonding and team spirit. The combination of challenging training opportunities, improved staff engagement activities and continued recognition and appreciation has reinforced our "happy culture" and led to an increase in our staff retention rate.

Hong Kong

During the year, Fairwood faced a challenging business environment in the Hong Kong food and beverage sector. The same-store sales growth rate was flat. The decline in segment profit was mainly attributed to the rising labour costs and rental cost. Popular demand for Fairwood has enabled us to expand new business network in Hong Kong and we opened a total of seven fast food stores during the year. We will continue to strengthen our core fast food business operation and expand our foothold further in strategic locations.

Our specialty restaurant brands, ASAP and Taiwan Bowl, performed promisingly in the year and delivered significant sales growth. As at 31 March 2019, we were operating ten specialty restaurants, comprising two ASAP, two Taiwan Bowl stores, four The Leaf Kitchen stores, one Buddies Café, and one Kenting Tea House. Having developed the sustainable business models, we will expand our specialty restaurant network to reach a broader spectrum of customers.

Mainland China

Our Mainland China operation was slightly affected during the year, partly due to renovations at our flagship store and our investment in a new store that is set to open in FY19/20. The same-store sales growth rate in local currency was approximately –6%. Throughout the review year, we continued to use a business model built around small store operations and the considerable use of delivery services to satisfy growing customer demand. Despite some setbacks, we remain confident about our business in Mainland China, and will continue to expand when opportunities arise.

Network

During the year under review, the Group opened eight new stores, including seven in Hong Kong and one in Mainland China. As of 31 March 2019, the Group had a total of 148 stores in Hong Kong, including 138 fast food stores and ten specialty restaurants. In Mainland China, the Group operates 11 stores.

Giving back to the community

The second half of our corporate mission statement is “Live a Great Life!” We serve Hong Kong people not only by providing great food, but also by showing care for the community in many ways. For example, recognising that our senior citizens are the people who built the city we call our home, we have distributed over 180,000 “Care for Seniors” cards as at 31 March 2019, providing valuable discounts when dining at Fairwood – a total that represents more than 10% of the entire senior citizen population of Hong Kong. Cardholders also enjoy further discounts and special offers during various festivals in the year.

We have been organising special community service events for some time. This year we expanded a number of them in scope. They included new initiatives as part of our “Fairwood Gives Warmth Campaign”, and co-operation with charity association FOOD-CO to help redistribute surplus food to people in need. We have also engaged community ambassadors to help at our charity events so we can learn more about the needs and wishes of specific communities.

This year we worked to reduce plastic waste by completely phasing out the use of plastic straws and plastic stirs at all our Fairwood restaurants, replacing them with more environmentally-friendly paper straws and wooden sticks. We are also encouraging customers to bring their own containers for takeaway orders.

Prospects

We are optimistic about the outlook for the food and beverage sector in Hong Kong and Mainland China, despite some challenges looming. Rising food costs and shortages of labour are areas that Fairwood management is well prepared to tackle. By taking advantage of our global sourcing strategy and strategic menu planning featuring seasonal ingredients, we have been able to manage our food costs well. We have also focused on developing sophisticated but practical systems to manage labour usage more effectively. Flexible scheduling is an important component, as is the centralisation of certain food preparation processes at our central food processing plant.

In face of these challenges, we will spend effort in strengthening control of all costs, boosting revenue, reinforcing our brand reputation and expanding our presence in Hong Kong. In Mainland China, we will continue to develop the local market (leveraging the popular home delivery platforms). Our forward steps in the year ahead will involve an unremitting focus on providing dishes characterised by variety, quality, and good value. This will be coupled with efforts to touch our customers personally by delivering genuinely "heart-warming" services, so that our customers feel truly at home. We also aim to foster a happy working environment within our organisation, cultivate a culture of mutual appreciation between our customers and staff, and enhance our engagement with the wider community in meaningful endeavours. All these goals are encapsulated in our company mission, which we will continue to promote: "Enjoy Great Food. Live a Great Life!".

Financial review

Liquidity and financial resources

At 31 March 2019, total assets of the Group were HK$1,275.8 million (2018: HK$1,291.7 million). The Group's working capital was HK$248.3 million (2018: HK$210.3 million), represented by total current assets of HK$667.8 million (2018: HK$665.2 million) against total current liabilities of HK$419.5 million (2018: HK$454.9 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.6 (2018: 1.5). Total equity was HK$777.7 million (2018: HK$763.1 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2019, the Group had bank deposits and cash amounting to HK$519.9 million (2018: HK$520.6 million), representing a decrease of 0.1%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

At 31 March 2019, the Group continued to maintain a healthy financial position and had total bank loan of HK$0.1 million (2018: HK$1.9 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$216.2 million (2018: HK$213.7 million). The gearing ratio of the Group dropped to 0.0% (2018: 0.2%), which was calculated based on the total bank loan over total equity.

Profitability

Return on average equity was 23.4% (2018: 29.2%), 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$95.0 million (2018: HK$151.0 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 2019, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$1.2 million (2018: HK$1.3 million) and no bank deposits and cash was used to pledge any loans or banking facilities.

Commitments

The Group's capital commitments outstanding at 31 March 2019 were HK$16.0 million (2018: HK$16.8 million).

Contingent liabilities

At 31 March 2019, 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$92.8 million (2018: HK$93.2 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 2019, the total number of employees of the Group was approximately 5,600 (2018: 5,600). Staff costs for the year were approximately HK$963.2 million (2018: HK$904.7 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 HK81.0 cents (2018: HK105.0 cents) per share for the year ended 31 March 2019. Together with the interim dividend of HK37.0 cents (2018: HK37.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2019 amounts to HK118.0 cents (2018: 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, 3 October 2019 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 17 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 3 September 2019 to Friday, 6 September 2019 (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, 2 September 2019 for registration.

The Register of Members will also be closed from Friday, 13 September 2019 to Tuesday, 17 September 2019 (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 Thursday, 12 September 2019 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$*	*HK$*
September 2018	22,500	27.20	27.15	611,875
October 2018	123,000	27.20	25.50	3,234,675
	145,500			3,846,550

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$3,701,000 and HK$11,000 respectively were charged to the Company'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 2019, 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 2018/2019 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 2019 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 2019 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 2019.

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 2018/2019 Annual Report of the Company containing all information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

I would like to extend my gratitude to the management team and to all our colleagues and staff for their dedication during the past year. Your efforts have enabled us to achieve a satisfactory performance in a challenging environment. The ongoing loyalty and support of the Group's business partners and shareholders have also been essential factors in our success. With such support, I look forward to continued achievement from the Group that will translate into sustainable long-term returns for our shareholders.

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 28 June 2019

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, Ms Peggy Lee and Mr Lo Fai Shing Francis; 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.