Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

HIGHLIGHTS

- Revenue was HK$3,030.2 million (2019: HK$2,970.5 million), increased by 2.0%
- Profit for the year dropped by 66.2% from HK$179.9 million to HK$60.9 million
- In the last quarter of FY19/20, the COVID-19 outbreak seriously impacted the Hong Kong economy. The group's revenue, store operations, and financial performance were adversely affected by weakened customer sentiment and the enactment of various social distancing measures
- Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") was adopted and superseded Hong Kong Accounting Standard 17, *Leases* ("HKAS 17") on 1 April 2019. The same profit, before the negative impact of adoption of HK$24.3 million, was approximately HK$85.2 million, representing a drop of 52.7%
- Basic earnings per share were HK47.03 cents (2019: HK140.00 cents), decreased by 66.4%
- Final dividend of HK50.0 cents per share was proposed, representing a total dividend per share for the year of HK73.0 cents and a payout ratio of approximately 155%

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 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020**	2019
			(Note)
		HK$'000	*HK$'000*
Revenue	*3*	**3,030,198**	2,970,524
Cost of sales		**(2,752,830)**	(2,586,321)
Gross profit		**277,368**	384,203
Other revenue	*4*	**24,380**	10,227
Other net loss	*4*	**(1,285)**	(835)
Selling expenses		**(32,722)**	(30,063)
Administrative expenses		**(126,078)**	(136,227)
Impairment losses on other property, plant and equipment		**(8,340)**	(10,221)
Impairment losses on right-of-use assets		**(17,498)**	–
Valuation losses on investment properties		**(5,750)**	(1,880)
Profit from operations		**110,075**	215,204
Finance costs	*5(a)*	**(37,995)**	(32)
Profit before taxation	*5*	**72,080**	215,172
Income tax	*6*	**(11,213)**	(35,225)
Profit for the year attributable to equity shareholders of the Company		**60,867**	179,947
Earnings per share	*8*		
Basic		**HK47.03 cents**	HK140.00 cents
Diluted		**HK46.96 cents**	HK138.99 cents

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
		(Note)
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**60,867**	179,947
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	**(2,845)**	(1,956)
Total comprehensive income for the year attributable to equity shareholders of the Company	**58,022**	177,991

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	Note	At 31 March 2020 HK$'000	At 31 March 2019 (Note) HK$'000
Non-current assets			
Investment properties		**38,400**	44,150
Other property, plant and equipment		**474,711**	468,503
Interests in leasehold land held for own use under operating leases		**–**	5,980
Right-of-use assets		**1,433,611**	–
		1,946,722	518,633
Goodwill		**1,001**	1,001
Rental deposits paid		**76,732**	68,517
Other financial assets	*9*	**15,821**	19,825
Deferred tax assets		**22**	44
		2,040,298	608,020
Current assets			
Inventories		**50,828**	33,560
Trade and other receivables	*10*	**90,181**	102,424
Other financial assets	*9*	**3,141**	11,950
Current tax recoverable		**13,423**	–
Cash and cash equivalents		**511,047**	519,854
		668,620	667,788
Current liabilities			
Trade and other payables	*11*	**418,445**	385,203
Bank loan		**–**	143
Lease liabilities		**479,851**	–
Current tax payable		**–**	10,494
Provisions	*12*	**17,356**	23,687
		915,652	419,527
Net current (liabilities)/assets		**(247,032)**	248,261
Total assets less current liabilities		**1,793,266**	856,281

	Note	At **31 March 2020** ***HK$'000***	At 31 March 2019 *(Note)* *HK$'000*
Non-current liabilities			
Lease liabilities		**981,512**	–
Deferred tax liabilities		**14,036**	19,599
Rental deposits received		**1,173**	2,286
Provisions	*12*	**75,739**	56,718
		1,072,460	78,603
Net assets		**720,806**	777,678
Capital and reserves			
Share capital		**129,533**	128,650
Reserves		**591,273**	649,028
Total equity		**720,806**	777,678

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Notes:

1 BASIS OF PREPARATION

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for the year ended 31 March 2020.

Due to the adoption of HKFRS 16 commencing 1 April 2019, the Group recognised lease liabilities of HK$479,851,000 under current liabilities as at 31 March 2020. As at 31 March 2020, the Group's total current assets were HK$668,620,000 (2019: HK$667,788,000) and total current liabilities were HK$915,652,000 (2019: HK$419,527,000). As a result, the Group recorded net current liabilities of HK$247,032,000 as compared to net current assets of HK$248,261,000 as at 31 March 2019 when HKAS 17 was adopted.

Despite the net current liabilities as at 31 March 2020, the Group's cash and cash equivalents amounted to HK$511,047,000 (2019: HK$519,854,000) on the same day and the Group reported a profit before taxation of HK$72,080,000 (2019: HK$215,172,000) and recorded net cash generated from operating activities of HK$644,118,000 (2019: HK$291,281,000) during the year ended 31 March 2020. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 March 2020, the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 March 2020. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

The Group's consolidated 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 consolidated 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease,* HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and there are no adjustments to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to other property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.9%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments at 31 March 2019	1,008,742
Add: Lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	381,568
Others	35,650
Less: Commitments relating to short-term leases and other leases with remaining lease term ending on or before 31 March 2020 recognised exempt from capitalisation	(173,633)
Others	(16,034)
	1,236,293
Less: Total future interest expenses	(69,011)
Present value of remaining lease payments, discounted using the incremental borrowing rates and total lease liabilities recognised at 1 April 2019	1,167,282

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 *HK$'000*	**Capitalisation of operating lease contracts** *HK$'000*	**Carrying amount at 1 April 2019** *HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	468,503	(16,750)	451,753
Interests in leasehold land held for own use under operating lease	5,980	(5,980)	–
Right-of-use assets	–	1,192,703	1,192,703
Total non-current assets	**608,020**	**1,169,973**	**1,777,993**
Trade and other receivables	102,424	(15,804)	86,620
Total current assets	**667,788**	**(15,804)**	**651,984**
Trade and other payables	385,203	(13,230)	371,973
Lease liabilities (current)	–	352,174	352,174
Total current liabilities	**419,527**	**338,944**	**758,471**
Net current assets/(liabilities)	**248,261**	**(354,748)**	**(106,487)**
Total assets less current liabilities	**856,281**	**815,225**	**1,671,506**
Lease liabilities (non-current)	–	815,108	815,108
Provisions	56,718	117	56,835
Total non-current liabilities	**78,603**	**815,225**	**893,828**
Net assets	**777,678**	**–**	**777,678**

c. Impact on the financial result and segment results of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following table gives an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and segment results for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 (A) *HK$'000*	**Add back: HKFRS 16 depreciation and interest expense (B)** *HK$'000*	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(Note 1)* (C)** *HK$'000*	**Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B+C)** *HK$'000*	Compared to amounts reported for 2019 under HKAS 17 *HK$'000*
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Profit from operations	**110,075**	**430,425**	**(439,676)**	**100,824**	215,204
Finance costs	**(37,995)**	**37,995**	**–**	**–**	(32)
Profit before taxation	**72,080**	**468,420**	**(439,676)**	**100,824**	215,172
Income tax	**(11,213)**	**(74,308)**	**69,854**	**(15,667)**	(35,225)
Profit for the year attributable to equity shareholders of the Company	**60,867**	**394,112**	**(369,822)**	**85,157**	179,947
Reportable segment profit/(loss) for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Hong Kong restaurants	**96,465**	**450,352**	**(423,360)**	**123,457**	207,767
Mainland China restaurants	**(5,152)**	**18,068**	**(16,316)**	**(3,400)**	6,994
Other segments	**12,355**	**–**	**–**	**12,355**	12,512
Total	**103,668**	**468,420**	**(439,676)**	**132,412**	227,273

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020.

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph d. above, the Group leases out a number of items of property as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

f. Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 March 2020		1 April 2019 *(Note)*	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**479,851**	**486,062**	352,174	356,888
After 1 year but within 2 years	**379,560**	**395,333**	317,330	330,879
After 2 years but within 5 years	**545,879**	**596,875**	454,604	497,684
After 5 years	**56,073**	**66,081**	43,174	50,842
	981,512	**1,058,289**	815,108	879,405
	1,461,363	**1,544,351**	1,167,282	1,236,293
Less: total future interest expenses		**(82,988)**		(69,011)
Present value of lease liabilities		**1,461,363**		1,167,282

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated.

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:

	2020	2019
	HK$'000	*HK$'000*
Sale of food and beverages	**3,022,674**	2,962,885
Property rental	**7,524**	7,639
	3,030,198	2,970,524

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 2020 and 2019 is set out below.

	Hong Kong restaurants		**Mainland China restaurants**		**Other segments**		**Total**	
	2020	2019 *(Note)*	**2020**	2019 *(Note)*	**2020**	2019	**2020**	2019 *(Note)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,905,637**	2,839,910	**117,037**	122,975	**7,524**	7,639	**3,030,198**	2,970,524
Inter-segment revenue	**–**	–	**–**	–	**4,478**	4,938	**4,478**	4,938
Reportable segment revenue	**2,905,637**	2,839,910	**117,037**	122,975	**12,002**	12,577	**3,034,676**	2,975,462
Reportable segment profit/(loss)	**96,465**	207,767	**(5,152)**	6,994	**12,355**	12,512	**103,668**	227,273
Interest income	**10,814**	10,173	**48**	54	**–**	–	**10,862**	10,227
Interest expense	**36,324**	32	**1,671**	–	**–**	–	**37,995**	32
Depreciation and amortisation	**510,735**	100,566	**22,506**	3,987	**921**	922	**534,162**	105,475
Impairment losses on other property, plant and equipment	**8,149**	9,517	**191**	704	**–**	–	**8,340**	10,221
Impairment losses on right-of-use assets	**16,799**	–	**699**	–	**–**	–	**17,498**	–

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

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

	2020	2019
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**103,668**	227,273
Valuation losses on investment properties	**(5,750)**	(1,880)
Impairment losses on other property, plant and equipment	**(8,340)**	(10,221)
Impairment losses on right-of-use assets	**(17,498)**	–
Consolidated profit before taxation	**72,080**	215,172

(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, right-of-use assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of investment properties, other property, plant and equipment, interests in leasehold land held for own use under operating leases and right-of-use assets, and the location of the operation to which they are allocated in the case of goodwill.

	Revenue from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019 *(Note)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**2,909,192**	2,843,528	**1,832,267**	444,539
Mainland China	**121,006**	126,996	**115,456**	75,095
	3,030,198	2,970,524	**1,947,723**	519,634

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

4 OTHER REVENUE AND NET LOSS

	2020	2019
	HK$'000	*HK$'000*
Other revenue		
Interest income	**10,862**	10,227
Government grants *(Note)*	**13,518**	–
	24,380	10,227
Other net loss		
Net loss on disposal of other property, plant and equipment	**(6,440)**	(3,300)
Net foreign exchange loss	**(5,669)**	(5,413)
Electric and gas range incentives	**4,475**	4,073
Profit on sale of redemption gifts	**629**	1,148
Write-back of other payables	**1,494**	422
Others	**4,226**	2,235
	(1,285)	(835)

Note: This mainly represented subsidies approved by the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region for Food Licence Holders Subsidy Scheme to cope with the operating pressure caused by the novel coronavirus epidemic.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020	2019
		(Note (i))
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on bank loan	**–**	32
Interest on lease liabilities	**37,995**	–
	37,995	32
(b) Other items		
Cost of inventories *(Note (ii))*	**724,679**	696,610
Depreciation charge		
– Other property, plant and equipment	**103,915**	105,263
– Right-of-use assets	**430,247**	–
Amortisation of interests in leasehold land held for own use under operating leases	**–**	212

Note (i): The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

Note (ii): The cost of inventories represents food costs.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**16,754**	40,177
Deferred tax		
Origination and reversal of temporary differences	**(5,541)**	(4,952)
	11,213	35,225

The provision for Hong Kong Profits Tax for 2019/2020 is calculated at 16.5% (2018/2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2.0 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018/2019.

No provision has been made for the PRC corporate income tax for 2020 and 2019, 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

	2020	2019
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK23.0 cents (2019: HK37.0 cents) per share	**29,793**	47,597
Final dividend proposed after the end of the reporting period of HK50.0 cents (2019: HK81.0 cents) per share	**64,767**	104,207
	94,560	151,804

In respect of the interim dividend for the six months ended 30 September 2018, there was a difference of HK$48,000 between the interim dividend disclosed in the 2018/2019 interim financial statements and amount approved and payable after the interim period. The difference represented 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

	2020	2019
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK81.0 cents (2019: HK105.0 cents) per share	**104,922**	135,208

In respect of the final dividend for the year ended 31 March 2019, there was a difference of HK$715,000 (final dividend for the year ended 31 March 2018: HK$1,025,000) between the final dividend disclosed in the 2019 annual financial statements and amounts approved and paid during the year which represented 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$60,867,000 (2019: HK$179,947,000) and the weighted average number of ordinary shares of 129,431,000 shares (2019: 128,538,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2020	2019
	Number of shares	Number of shares
	'000	*'000*
Issued ordinary shares at 1 April	**128,650**	127,793
Effect of share options exercised	**781**	797
Effect of shares repurchased	**–**	(52)
Weighted average number of ordinary shares at 31 March	**129,431**	128,538

(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$60,867,000 (2019: HK$179,947,000) and the weighted average number of ordinary shares of 129,605,000 shares (2019: 129,467,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2020 Number of shares *'000*	2019 Number of shares *'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**129,431**	128,538
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**174**	929
Weighted average number of ordinary shares used in calculating diluted earnings per share	**129,605**	129,467

9 OTHER FINANCIAL ASSETS

	2020 *HK$'000*	2019 *HK$'000*
Non-current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	**15,821**	19,825
Current financial assets		
Debt securities at amortised cost		
– Unlisted but quoted	**3,141**	11,950
	18,962	31,775

The non-current debt securities represented medium term notes (a) 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 (b) 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 2019 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; (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; and (c) issued by a financial institution in Hong Kong, denominated in Renminbi, bore interest at a rate of 4.5% per annum with maturity date of 20 November 2021.

The current debt securities represented medium term notes 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.

The current debt securities as at 31 March 2019 represented certificates of deposit issued by a financial institution in Australia, denominated in Renminbi, bore interest at a rate of 3.6% per annum with maturity date of 29 July 2019.

10 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follow:

	2020	2019
	HK$'000	*HK$'000*
1 to 30 days	**3,482**	10,346
31 to 90 days	**528**	128
91 to 180 days	**251**	23
181 to 365 days	**–**	3
	4,261	10,500

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:

	2020	2019
	HK$'000	*HK$'000*
1 to 30 days	**105,028**	101,176
31 to 90 days	**2,828**	1,397
91 to 180 days	**576**	1,815
181 to 365 days	**293**	57
Over one year	**189**	295
	108,914	104,740

12 PROVISIONS

	2020	2019
	HK$'000	*HK$'000*
Provision for long service payments	**24,992**	18,439
Provision for reinstatement costs for rented premises	**68,103**	61,966
	93,095	80,405
Less: Amount included under "current liabilities"	**(17,356)**	(23,687)
	75,739	56,718

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

Revenue of the Group for the year ended 31 March 2020 increased by 2.0% year-on-year to HK$3,030.2 million (2019: HK$2,970.5 million). Profit attributable to equity shareholders was HK$60.9 million (2019: HK$179.9 million), representing a decrease of 66.2%. Gross profit margin decreased to 9.2% (2019: 12.9%). Basic earnings per share amounted to HK47.03 cents (2019: HK140.00 cents).

Business review

The year under review has been one of stern external pressures, which have challenged Fairwood to showcase our brand strengths and the quality of our people. Several factors have had a negative impact on Hong Kong businesses across the board during the year, and especially the restaurant industry. These have included a significant drop in foot traffic for retail shopping and dining following Government measures implemented to control the outbreak of the coronavirus ("COVID-19") in Hong Kong. In addition, this year our Group has had to recognise the financial effects of adopting HKFRS 16, which came into force from 1 April 2019. Our overall results have been inevitably compromised by these unprecedented events. Nevertheless, they also bear witness to Fairwood's ability to react quickly to events and respond as effectively as possible.

The final three months of the fiscal year saw COVID-19 emerge as a global public health threat. In Hong Kong and around the world, governments mobilised to impose social distancing regimes to protect the population. At Fairwood, we too have played our part in reassuring and protecting our customers. For example, we added extra team training to ensure all our staff have the knowledge and skills needed to minimise hygiene risks. We introduced strategies to put customers' minds at ease about restaurant hygiene, such as giving customers disposable paper bags in which to place their masks while eating. We have also placed a stronger focus on takeaway orders than we normally do in light of the situation, and encouraged customers to consider enjoying a Fairwood meal at home by offering discounts on takeaway orders.

Despite the external challenges we have faced, Fairwood has remained completely focused on maintaining a customer-centric stance and a commitment to customer satisfaction above all. One way we have done that is by constantly enhancing the value of our products through innovations and upgrades. This year, we continued to introduce new and exciting products and dishes, for example by adding Omnipork to our 'Tasty and Green' series in the first half of the year. We also continued to add innovative dishes under popular healthy categories, such as our "No MSG-added", "Wholesome Delight" and "Low Sodium" series. As for our popular signature dishes, these too have been regularly upgraded with quality ingredients plus different seasonal excitements.

Following in-depth customer research, in the second half of the year we launched a new "Weekly Surprises" campaign. As the name suggests, the selections on offer vary from week to week, and include extra value breakfast and lunch dishes, early dinner promotions and other surprises. What they all have in common is value for money, delicious taste, and reliable trustworthy quality. The new "Weekly Surprises" campaign captures Fairwood's wider belief that our customers prefer enhancements to food quality and value, not simply lower-cost dishes. Alongside this, we have continued with our strategy of adapting our product offerings and operational practices to the needs of different locations in Hong Kong, based on the needs of different customer types.

We were proud to receive the "*HKACE Customer Service Excellence Award 2019 — Team Award — Internal Support Service — Gold Award*" during the year. This award reflects Fairwood's commitment to being a totally customer-centric business, delivering a 'total dining experience'. To help maintain this exceptional level of service excellence, we enhanced our staff's customer service training to include training on responding proactively and in a heartfelt manner to customers' needs, as well as dealing with unexpected events.

This year also saw the launch of our new 'Jumping Man' TV commercial as an extension of our "Feel Good" campaign. Fairwood's 'Jumping Man' radiates joy and positive energy, and emphasizes our brand's upbeat and positive character even in challenging times. We are delighted at the positive comments and compliments we have received from our customers in response.

On top of this, the Group has launched a number of other initiatives designed to strengthen what we call our 'Happy Culture'. This means bringing our staff closer together, enhancing their job satisfaction, improving their skills, and getting the balance right between efficiency and providing a personal touch. All along, we have recognised that staff happiness and dedication is a vital driver for the success of our business. We are constantly looking for ways to lift their sense of being part of Fairwood and a cohesive, highly motivated team. Our efforts can be categorised into three main areas — recognition, support, and training.

We recognise and reward staff for their outstanding efforts, creating a culture in which everyone is always striving for the best. For example, senior management frequently visit individual stores to turn the spotlight on individual staff excellence. Our 'Hall of Fame' booklet profiles the very best of our staff and their stories, and is widely circulated among all employees. Gaining a place in the 'Hall of Fame' has become an aspiration of many of our best workers.

By providing our employees with plentiful training opportunities, we send the message that we are prepared to invest in their future. This in turn has increased our staff retention rate, and encouraged our best employees to look to further their careers in Fairwood. For example, we have poured more resources into training second-level managers (typically deputies for store managers) so that they acquire the skills they need to take on greater responsibilities. As for suitable candidates among our more experienced team members, we have enhanced our training programmes to prepare them for career advancement, including the possibility of taking on managerial roles in the future.

Other training initiatives to boost staff happiness and competence have included the launch of more of our two-minute videos providing customer service training. These are successful because of the short, interesting and effective way that they communicate key customer service points. We have also enriched our front-line staff orientation programmes with more practical and skills training, so that staff can see rapid results when they apply these skillsets at work.

Hong Kong

In late January 2020, the outbreak of COVID-19 dampened the market sentiment, which was further wrecked by reduction of travellers, suspension of schools, and work from home together with the enactment of different measures to encourage social distancing. Under this circumstance, Fairwood's same-store sales growth rate recorded a negative 3% this year.

The year's multiple external challenges inevitably impacted the Group's performance. To minimise their impact, our experienced management and competent and committed store teams worked closely together within our flexible business model on strategies to enhance our commitments to efficiency, cost-effectiveness and public health. We have indeed been able to react quickly as events have unfolded, and even capitalise on some aspects of the situation. For example, we were able to take advantage of changes in global ingredient sourcing to enhance the value of our products because we were able to adjust our menu offerings quickly and efficiently. We also benefited from a relatively stable labour supply in the period. While not exempt from the dampening effects of recent events, our ability to adapt quickly to such major changes in the business environment gives us encouragement for the future. Looking ahead, we will remain focused on our core business and will continue to react promptly and intelligently to every twist and turn in the market.

Our specialty restaurants also performed steadily across the year, consolidating their customer bases and delivering increasing revenue and sales growth. This is a pleasing result given the circumstances of the year. ASAP and Taiwan Bowl have performed satisfactorily, achieving solid growth and gaining good feedback from customers. Our other speciality brands, The Leaf Kitchen, Buddies Café and Kenting Tea House, all delivered steady performance. In light of recent events, we have been engaging online delivery platforms to boost sales for these restaurants as more customers choose to eat at home. We are also taking a prudent approach to restaurant expansion, while remaining open to new opportunities with good potential. After the end of the reporting period, in April 2020, we opened one new Taiwan Bowl restaurant.

Mainland China

Since the outbreak of COVID-19 in the last quarter, the PRC authorities had enacted stringent measures, in restricting people gathered in public area in order to prevent the clustering inflection. This sudden pandemic had impacted many businesses in different degrees and F&B business is no exception. Thus, the revenue in the last quarter declined significantly and resulted in a negative same-store sales growth rate of 9% in local currency.

Our Mainland China operations progressed steadily in the year. Our plans remain to open around five stores in the Southern China in the coming year. These new stores will generally be smaller than our typical Hong Kong stores, but will all be well set up to cater for deliveries, in line with Mainland customer preferences. With this in mind, we have developed working partnership with two of Mainland China's biggest food delivery service providers, Meituan and Eleme.

Network

During the year under review, the Group opened 16 new stores, including 13 in Hong Kong and three in Mainland China. As of 31 March 2020, the Group had a total of 160 stores in Hong Kong, including 147 fast food stores and 13 specialty restaurants, namely three ASAP, three Taiwan Bowl, five The Leaf Kitchen, one Buddies Café and one Kenting Tea House. In Mainland China, the Group operates 12 stores.

Giving back to the community

As always, our Group has continued to embrace its commitment to the community that has supported us. With this year being the fifth since the launch of our much-used 'Care for Seniors' card, we celebrated the anniversary by increasing the card discount to HK$6 off each order for one week. We have continued to distribute the 'Care for Seniors' cards very widely in the community, to show our deep appreciation for the role our senior citizens have played in building and supporting our city, and in the year a further 49,000 cards were taken up. At each of the year's festivals and holidays, we also launched new discounts or special offers for cardholders. Throughout the year, our "Fairwood Gives Warmth" campaign organised in-store events designed to engage local neighbourhoods and recruit new community ambassadors.

Prospects

The fast-food and restaurant business environment in Hong Kong has experienced one of its most challenging years in history, and the more recent impact of COVID-19 has extended the challenges into 2020. While we are realistic about the inevitable impact of these events on Fairwood, we remain convinced that our proven resilience and the power of the well-established Fairwood brand provide us with what we need to weather the storm.

Our resilience is based on flexibility and the ability to innovate quickly in the face of new circumstances. This is exactly what we have been doing since the COVID-19 outbreak. Following the end of the fiscal year, we invested more resources into digitization to enhance our operations; one example being our "Click and Collect" digital order platform that launched at half of the Fairwood outlets in Hong Kong. The new platform enables customers to place orders remotely via their mobile or digital devices, and then come in to one of the stores to collect their takeaway meals. In an environment where citizens are being encouraged to maintain social distancing and avoid groups, we believe this new platform will not only prove a convenient option for many, but will also contribute to society's mission to stamp out the virus.

Overall, the Group remains cautiously optimistic about the market situation in the months ahead. Our ability to adjust rapidly to market changes and alter our business model where appropriate certainly gives us an edge in the current situation. We believe there remain a number of opportunities available to us to manage challenges in the future, one of which is to lower operating costs in certain key areas. Ultimately, however, we believe there will always be a demand for the kind of dining qualities that Fairwood consistently offers — high quality food, heartfelt service, convenient and comfortable dining environments, and affordable prices. In these key areas, we will never compromise our values or our offerings. In addition, we remain committed to being a business with a conscience. Profitability is an essential goal, but for Fairwood this must always be coupled with social vision. We are determined to continue serving the community in which we operate in many practical ways, enhancing the quality and service standards of the entire food industry, and ultimately helping Hong Kong people 'Feel Good' as a result of what we do for our city.

Financial review

Liquidity and financial resources

At 31 March 2020, total assets of the Group were HK$2,708.9 million (2019: HK$1,275.8 million). The increase is primarily due to the recognition of right-of-use assets of HK$1,433.6 million by the adoption of HKFRS 16 at 1 April 2019. The Group's net current liabilities was HK$247.0 million (2019: net current assets of HK$248.3 million), represented by total current assets of HK$668.6 million (2019: HK$667.8 million) against total current liabilities of HK$915.6 million (2019: HK$419.5 million). Current ratio, being the proportion of total current assets against total current liabilities, was 0.7 (2019: 1.6). The change was mainly due to the recognition of current lease liabilities of HK$479.9 million under current liabilities. Total equity was HK$720.8 million (2019: HK$777.7 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2020, the Group had bank deposits and cash amounting to HK$511.0 million (2019: HK$519.9 million), representing a decrease of 1.7%. Most bank deposits and cash were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 31 March 2020, the Group had no bank loan (2019: HK$0.1 million). The gearing ratio of the Group was 0.0% (2019: 0.0%), which was calculated based on the total bank loan over the total equity. The unutilised banking facilities were HK$247.4 million (2019: HK$216.2 million).

Depreciation and amortisation

The Group's depreciation and amortisation charges increased by HK$428.7 million from HK$105.5 million to HK$534.2 million, primarily due to the adoption of HKFRS 16, this year. HKFRS 16 required the lessee to amortise the right-of-use assets in a straight-line basis over the lease term.

Finance costs

During the reporting period, the Group recorded the finance costs of HK$38.0 million (2019: nil) due to the initial adoption of HKFRS 16, at 1 April 2019. The finance costs represented the interest expenses accrued on the outstanding balance of the lease liabilities.

Profitability

Return on average equity was 8.1% (2019: 23.4%), 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 (excluding right-of-use assets) was approximately HK$143.6 million (2019: HK$95.0 million). The increase was mainly due to more renovation works for new shop and existing shops 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 Hong Kong dollar is pegged to United States 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 2020, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$1.1 million (2019: HK$1.2 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 2020 were HK$19.5 million (2019: HK$16.0 million).

Contingent liabilities

At 31 March 2020, guarantees are given to banks by the Company in respect of 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$101.5 million (2019: HK$92.8 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 2020, the total number of employees of the Group was approximately 5,800 (2019: 5,600). Staff costs for the year were approximately HK$1,019.9 million (2019: HK$963.2 million). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

The Group continues to offer competitive remuneration packages, share options and bonus to eligible staff, based on the performance of the Group and the individual employees. Also, the Group has committed to provide related training programme to improve the quality, competence and skills of all staff.

DIVIDEND

The Board recommends to pay a final dividend of HK50.0 cents (2019: HK81.0 cents) per share for the year ended 31 March 2020. Together with the interim dividend of HK23.0 cents (2019: HK37.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2020 amounts to HK73.0 cents (2019: HK118.0 cents) per share, representing a total distribution of approximately 155% of the Group's profit for the year. The proposed final dividend will be paid on or before Thursday, 8 October 2020 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 21 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 4 September 2020 to Thursday, 10 September 2020 (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, 3 September 2020 for registration.

The Register of Members will also be closed from Thursday, 17 September 2020 to Monday, 21 September 2020 (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, 16 September 2020 for registration.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the year ended 31 March 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2020, 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 2019/2020 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 2020 and discussed internal control and risk management system of the Company with the management.

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, 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 the auditor.

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 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.fairwoodholdings.com.hk) and the Stock Exchange (www.hkex.com.hk). The 2019/2020 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

This past year has been one of the most difficult in memory. In it, the work put in by our team has been immense, often going above and beyond the call of duty. I am very proud of the way our focus on staff culture has produced such an incredible response, and would like to thank every staff member for the part they have played. The amount of positive feedback we have received from customers over the year in praise of our staff's attitude and performance has been remarkable. In a time when, for various reasons, many Hong Kong people have been less inclined to eat out in public, I would also like to thank Fairwood's loyal customers for their trust and support. We promise to continue engaging in efforts to give back to our wonderful community in many different ways.

I wish here to recognise the 25 years of dedication given to the Group by our CEO Mr Raymond Chan, who retired on 1 April 2020. Mr Chan has been instrumental in building the successful image of our Group and overseeing a major transformation of our products and services. In his quarter century of service to Fairwood, Mr Chan's leadership style has been one of innovation and customer focus. He has been a driver in numerous initiatives that have helped make us the most appreciated F&B management group in the industry. I thank him warmly for all he has done to make Fairwood a success story.

Taking over the role of CEO is Mr Francis Lo, who is bringing fresh and innovative ideas to the Group on the back of his own in-depth industry experience over recent years. I look forward to management and staff alike standing behind our new CEO as we work together to achieve new heights in the future.

Fairwood has been a fixture of Hong Kong's restaurant scene for almost half a century now. In that time, we have seen — and experienced — many ups and downs, and emerged each time stronger and more resilient. Throughout these challenging times and the coming recovery, we remain wholly committed to our mission for our staff and customers alike — "Enjoy Great Food. Live a Great Life!"

By Order of the Board
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 30 June 2020

As at the date of this announcement, the Directors of the Company are:

Executive Directors: Mr Dennis Lo Hoi Yeung (Executive Chairman), Mr Lo Fai Shing Francis (Chief Executive Officer), Ms Mak Yee Mei and Ms Peggy Lee;
Non-executive Director: Mr Chan Chee Shing; 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.