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## **FAIRWOOD HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 52)



### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021**

#### **HIGHLIGHTS**

- Revenue was HK\$2,646.5 million (2020: HK\$3,030.2 million), decreased by 12.7%, as the COVID-19 pandemic adversely affected the economic activities and restaurant patronage throughout the year.
- Profit for the year increased by 152.4% to HK\$153.6 million (2020: HK\$60.9 million), mainly attributable to improved productivity and efficiency, proactive cost management as well as various subsidies from the Hong Kong Government in respect to the pandemic situation during the year.
- The Employment Support Scheme (“ESS”) subsidies of HK\$183.2 million representing approximately 21.4% of the Group’s staff costs in Hong Kong, were fully used for salaries and wages.
- The Group maintained a healthy financial position with bank deposits, cash and cash equivalents of HK\$622.1 million as at 31 March 2021.
- The Group had no bank borrowings and nil gearing ratio as at 31 March 2021.
- Basic earnings per share were HK118.59 cents (2020: HK47.03 cents), increased by 152.2%.
- Final dividend of HK60.0 cents per share was proposed, representing a total dividend per share for the year of HK90.0 cents and a payout ratio of approximately 76%.

## 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 2021, together with the comparative figures for the year ended 31 March 2020, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>2,646,469</b>	3,030,198
Cost of sales		<u>(2,318,873)</u>	<u>(2,752,830)</u>
<b>Gross profit</b>		<b>327,596</b>	277,368
Other revenue	4	<b>93,785</b>	24,380
Other net gain/(loss)	4	<b>6,136</b>	(1,285)
Selling expenses		<b>(34,511)</b>	(32,722)
Administrative expenses		<b>(115,526)</b>	(126,078)
Impairment losses on other property, plant and equipment		<b>(34,310)</b>	(8,340)
Impairment losses on right-of-use assets		<b>(59,377)</b>	(17,498)
Valuation losses on investment properties		<u><b>(8,570)</b></u>	<u>(5,750)</u>
<b>Profit from operations</b>		<b>175,223</b>	110,075
Finance costs	5(a)	<u><b>(36,824)</b></u>	<u>(37,995)</u>
<b>Profit before taxation</b>	5	<b>138,399</b>	72,080
Income tax	6	<u><b>15,218</b></u>	<u>(11,213)</u>
<b>Profit for the year attributable to equity shareholders of the Company</b>		<u><b>153,617</b></u>	<u>60,867</u>
<b>Earnings per share</b>	8		
Basic		<u><b>HK118.59 cents</b></u>	<u>HK47.03 cents</u>
Diluted		<u><b>HK118.59 cents</b></u>	<u>HK46.96 cents</u>

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 MARCH 2021*

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year attributable to equity shareholders of the Company</b>	<b><u>153,617</u></b>	<b><u>60,867</u></b>
<b>Other comprehensive income for the year:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	<b><u>4,737</u></b>	<b><u>(2,845)</u></b>
<b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>	<b><u>158,354</u></b>	<b><u>58,022</u></b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AT 31 MARCH 2021*

		At 31 March 2021 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Investment properties		29,830	38,400
Other property, plant and equipment		424,866	474,711
Right-of-use assets		<u>1,110,609</u>	<u>1,433,611</u>
		1,565,305	1,946,722
Lease receivables		2,768	–
Goodwill		1,001	1,001
Rental deposits paid		72,737	76,732
Other financial assets	9	–	15,821
Deferred tax assets		<u>3,935</u>	<u>22</u>
		<u>1,645,746</u>	<u>2,040,298</u>
<b>Current assets</b>			
Inventories		46,008	50,828
Trade and other receivables	10	99,764	90,181
Other financial assets	9	16,745	3,141
Current tax recoverable		17,633	13,423
Bank deposits and cash and cash equivalents		<u>622,143</u>	<u>511,047</u>
		<u>802,293</u>	<u>668,620</u>
<b>Current liabilities</b>			
Trade and other payables	11	359,778	418,445
Lease liabilities		433,320	479,851
Current tax payable		20	–
Provisions	12	<u>18,784</u>	<u>17,356</u>
		<u>811,902</u>	<u>915,652</u>
<b>Net current liabilities</b>		<u>(9,609)</u>	<u>(247,032)</u>
<b>Total assets less current liabilities</b>		<u>1,636,137</u>	<u>1,793,266</u>

		At 31 March 2021 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Lease liabilities		<b>785,222</b>	981,512
Deferred tax liabilities		<b>1,795</b>	14,036
Rental deposits received		<b>1,768</b>	1,173
Provisions	12	<b>69,516</b>	75,739
		<b>858,301</b>	1,072,460
<b>Net assets</b>		<b>777,836</b>	720,806
<b>Capital and reserves</b>			
Share capital		<b>129,533</b>	129,533
Reserves		<b>648,303</b>	591,273
<b>Total equity</b>		<b>777,836</b>	720,806

*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 2021.

As at 31 March 2021, the Group's total current assets were HK\$802,293,000 (2020: HK\$668,620,000) and total current liabilities were HK\$811,902,000 (2020: HK\$915,652,000). As a result, the Group recorded net current liabilities of HK\$9,609,000 (2020: HK\$247,032,000) mainly due to lease liabilities of HK\$433,320,000 (2020: HK\$479,851,000) recognised under current liabilities.

Despite the net current liabilities as at 31 March 2021, the Group's bank deposits and cash and cash equivalents amounted to HK\$622,143,000 (2020: HK\$511,047,000) on the same day and the Group reported a profit before taxation of HK\$138,399,000 (2020: HK\$72,080,000) and recorded net cash generated from operating activities of HK\$780,789,000 (2020: HK\$644,118,000) during the year ended 31 March 2021. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 March 2021, 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 2021. 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 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 number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for current or prior periods have been prepared or presented.

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

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are operation of fast food restaurants and property investments. Revenue represents the sales value of food and beverages sold to customers and rental income and excludes value added tax or other sales taxes and is after deduction of any trade discounts. An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sale of food and beverages at a point in time	2,641,319	3,022,674
Property rental	<u>5,150</u>	<u>7,524</u>
	<u><b>2,646,469</b></u>	<u><b>3,030,198</b></u>

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 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 charged

on other property, plant and equipment and right-of-use assets). 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 2021 and 2020 is set out below.

	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	2,525,542	2,905,637	115,777	117,037	5,150	7,524	2,646,469	3,030,198
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,804</u>	<u>4,478</u>	<u>1,804</u>	<u>4,478</u>
<b>Reportable segment revenue</b>	<b><u>2,525,542</u></b>	<b><u>2,905,637</u></b>	<b><u>115,777</u></b>	<b><u>117,037</u></b>	<b><u>6,954</u></b>	<b><u>12,002</u></b>	<b><u>2,648,273</u></b>	<b><u>3,034,676</u></b>
<b>Reportable segment profit/(loss)</b>	<b><u>255,760</u></b>	<b><u>96,465</u></b>	<b><u>(19,917)</u></b>	<b><u>(5,152)</u></b>	<b><u>4,813</u></b>	<b><u>12,355</u></b>	<b><u>240,656</u></b>	<b><u>103,668</u></b>
Interest income	<u>4,288</u>	<u>10,814</u>	<u>33</u>	<u>48</u>	<u>116</u>	<u>—</u>	<u>4,437</u>	<u>10,862</u>
Interest expense	<u>(34,817)</u>	<u>(36,324)</u>	<u>(2,007)</u>	<u>(1,671)</u>	<u>—</u>	<u>—</u>	<u>(36,824)</u>	<u>(37,995)</u>
Depreciation	<u>(519,003)</u>	<u>(510,735)</u>	<u>(24,175)</u>	<u>(22,506)</u>	<u>(921)</u>	<u>(921)</u>	<u>(544,099)</u>	<u>(534,162)</u>
Impairment losses on other property, plant and equipment	<u>(28,723)</u>	<u>(8,149)</u>	<u>(5,587)</u>	<u>(191)</u>	<u>—</u>	<u>—</u>	<u>(34,310)</u>	<u>(8,340)</u>
Impairment losses on right-of-use assets	<u>(48,538)</u>	<u>(16,799)</u>	<u>(10,839)</u>	<u>(699)</u>	<u>—</u>	<u>—</u>	<u>(59,377)</u>	<u>(17,498)</u>

(ii) *Reconciliations of reportable segment profit*

	2021 HK\$'000	2020 HK\$'000
<b>Profit</b>		
Reportable segment profit before taxation	240,656	103,668
Valuation losses on investment properties	(8,570)	(5,750)
Impairment losses on other property, plant and equipment	(34,310)	(8,340)
Impairment losses on right-of-use assets	<u>(59,377)</u>	<u>(17,498)</u>
Consolidated profit before taxation	<u><b>138,399</b></u>	<u><b>72,080</b></u>

(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, 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 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	2,527,330	2,909,192	1,442,495	1,832,267
Mainland China	<u>119,139</u>	<u>121,006</u>	<u>123,811</u>	<u>115,456</u>
	<u><b>2,646,469</b></u>	<u><b>3,030,198</b></u>	<u><b>1,566,306</b></u>	<u><b>1,947,723</b></u>

#### 4 OTHER REVENUE AND NET GAIN/(LOSS)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other revenue</b>		
Interest income	4,437	10,862
Government grants ( <i>Note</i> )	<u>89,348</u>	<u>13,518</u>
	<u><u>93,785</u></u>	<u><u>24,380</u></u>
<b>Other net gain/(loss)</b>		
Net loss on disposal of other property, plant and equipment	(9,779)	(6,440)
Net foreign exchange gain/(loss)	2,038	(5,669)
Electric and gas range incentives	5,166	4,475
Profit on sale of redemption gifts	766	629
Write-back of other payables	1,702	1,494
Others	<u>6,243</u>	<u>4,226</u>
	<u><u>6,136</u></u>	<u><u>(1,285)</u></u>

*Note:* This mainly represented subsidies approved by the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region (“HKSAR”) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest expense on lease liabilities	<u>36,824</u>	<u>37,995</u>
<b>(b) Other items</b>		
Cost of inventories ( <i>Note</i> )	657,543	724,679
Depreciation charge		
– Other property, plant and equipment	100,865	103,915
– Right-of-use assets	<u>443,234</u>	<u>430,247</u>

*Note:* The cost of inventories represents food costs.

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	79	16,754
Under-provision in respect of prior years	<u>857</u>	<u>–</u>
	936	16,754
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(16,154)</u>	<u>(5,541)</u>
	<u>(15,218)</u>	<u>11,213</u>

The provision for Hong Kong Profits Tax for 2020/2021 is calculated at 16.5% (2019/2020: 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 2019/2020.

No provision has been made for the PRC corporate income tax for 2021 and 2020, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid of HK30.0 cents (2020: HK23.0 cents) per share	38,860	29,793
Final dividend proposed after the end of the reporting period of HK60.0 cents (2020: HK50.0 cents) per share	<u>77,720</u>	<u>64,767</u>
	<u>116,580</u>	<u>94,560</u>

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**

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK50.0 cents (2020: HK81.0 cents) per share	<u><b>64,767</b></u>	<u>104,922</u>

In respect of the final dividend for the year ended 31 March 2020, there was a difference of HK\$nil (final dividend for the year ended 31 March 2019: HK\$1,715,000) between the final dividend disclosed in the 2020 annual financial statements and amount 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\$153,617,000 (2020: HK\$60,867,000) and the weighted average number of ordinary shares of 129,533,000 shares (2020: 129,431,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	<b>2021</b> <b>Number</b> <b>of shares</b> <b>'000</b>	2020 Number of shares '000
Issued ordinary shares at 1 April	<b>129,533</b>	128,650
Effect of share options exercised	<u>—</u>	<u>781</u>
Weighted average number of ordinary shares at 31 March	<u><b>129,533</b></u>	<u>129,431</u>

**(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\$153,617,000 (2020: HK\$60,867,000) and the weighted average number of ordinary shares of 129,533,000 shares (2020: 129,605,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	<b>2021</b> <b>Number</b> <b>of shares</b> <b>'000</b>	2020 Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>129,533</b>	129,431
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	<u>—</u>	<u>174</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><b>129,533</b></u>	<u>129,605</u>

**9 OTHER FINANCIAL ASSETS**

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Non-current financial assets</b>		
Debt securities at amortised cost		
– Unlisted but quoted	—	15,821
<b>Current financial assets</b>		
Debt securities at amortised cost		
– Unlisted but quoted	<u><b>16,745</b></u>	<u>3,141</u>
	<u><b>16,745</b></u>	<u>18,962</u>

The non-current debt securities as at 31 March 2020 represented medium term notes (a) 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 on 12 July 2021; and (b) issued by a financial institution in Hong Kong, denominated in Renminbi, bore interest at a rate of 4.5% per annum with maturity date on 20 November 2021.

The current debt securities as at 31 March 2021 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 on 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 on 20 November 2021.

The current debt securities as at 31 March 2020 represented medium term notes 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 on 20 October 2020.

## 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 follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 30 days	4,693	3,482
31 to 90 days	1,254	528
91 to 180 days	56	251
181 to 365 days	<u>61</u>	<u>–</u>
	<u><b>6,064</b></u>	<u><b>4,261</b></u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 30 days	106,975	105,028
31 to 90 days	68	2,828
91 to 180 days	528	576
181 to 365 days	62	293
Over one year	<u>196</u>	<u>189</u>
	<u><b>107,829</b></u>	<u><b>108,914</b></u>

## 12 PROVISIONS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision for long service payments	22,073	24,992
Provision for reinstatement costs for rented premises	<u>66,227</u>	<u>68,103</u>
	<b>88,300</b>	93,095
Less: Amount included under “current liabilities”	<u><b>(18,784)</b></u>	<u><b>(17,356)</b></u>
	<u><b>69,516</b></u>	<u><b>75,739</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall performance

Revenue of the Group for the year ended 31 March 2021 decreased by 12.7% year-on-year to HK\$2,646.5 million (2020: HK\$3,030.2 million). Gross profit margin increased to 12.4% (2020: 9.2%), mainly due to reduction of revenue and Employment Support Scheme (“ESS”) from HKSAR Government. Profit attributable to equity shareholders increased by 152.4% to HK\$153.6 million (2020: HK\$60.9 million). Basic earnings per share amounted to HK118.59 cents (2020: HK47.03 cents).

### Business review

The financial year 2020/2021 was largely the story of COVID-19. For businesses in the restaurant industry, the pandemic has been particularly challenging due to the measures undertaken by the Government to control its spread. For lengthy periods during the year, mandatory social distancing, significantly reduced seating capacity, and periods of restricted opening hours have affected all restaurants in Hong Kong. Combined with increased public caution about mingling, these measures led to periods of significant reduction in restaurant patronage throughout the year. Fortunately, this was offset to an extent by a marked increase in takeaway dining at home.

The Group’s own results reflect the wider pandemic-related events of the year. The times when full anti-pandemic measures were operating in the year saw a fall in Fairwood’s revenues, but as measures eased, revenues picked up significantly. As a result, dine-in sales at Fairwood restaurants were down across the board, although significant increases in take-out sales and sales from our ‘Click and Collect’ ordering platform helped compensate. With their greater reliance on dine-in sales, our specialty restaurants all experienced a drop in sales over the year, but their high-quality menu items remained popular for diners wanting meals delivered to their homes. Despite the decline, the various Government subsidies made available to the industry enabled us to post a stable result for the year.

In our response to the extraordinary and unprecedented challenge posed by COVID-19, we benefited from our unique company culture. Fairwood is a big company but our culture enables us to react to challenges flexibly and like a small one. Specifically, Fairwood has systems in place that make us highly team-focused, agile and rapidly responsive to change, and able to offer personalised and caring service. All these gave us a significant edge in grappling with the ever-changing COVID-19 situation.

From the outset, health, hygiene and safety for staff and customers have been a number one priority for Fairwood. We took steps to reassure everyone associated with Fairwood that they were working, or dining, in the safest possible environment. In addition to government-mandated measures, we implemented the full range of best-practice hygiene measures across our restaurants. We also went the extra mile, for example by introducing Raze nano-photocatalyst self-sanitising

spray on surfaces in all our stores. These initiatives have enhanced customer confidence about dining in Fairwood restaurants and put our staff, especially on the customer-facing side, at their ease.

In response to changes in dining habits, we moved physical to expand and enhance our 'Click and Collect' online ordering system, designed to further minimise contact during takeaway pick-ups. The system was boosted by a highly effective, award-winning marketing campaign which received the 'Best use of Programmatic (Gold)' award at the MARKies Awards 2021 by Marketing Magazine. Uptake of the 'Click and Collect' system was rapid and has continued to grow over the months since its launch. The sales made via 'Click and Collect' represented a significant percentage of the Group's total business.

We also responded to the pandemic by enhancing our takeaway menu to cater for the increased number and wider range of diners ordering takeaway meals. One much-welcomed initiative was the introduction of clay pot rice dishes, which were delivered in individual clay pots for flavour and authenticity (subject to a nominal refundable surcharge). A festive and affordable *poon choi* (盆菜) dish was also added to the takeaway menu in December, when evening dining was not permitted, so customers could still enjoy this holiday highlight at home. Another highlight was a new Golden Cheesy Baked Rice series of dishes, launched in January 2021, which proved an immediately popular takeaway option.

In periods when restaurants were required by the government to close at 6:00 p.m., we moved our official Fairwood dinner menu availability one hour earlier, to 5:00 p.m. Many diners who were unable to dine at home welcomed this opportunity to enjoy their evening meal earlier in our comfortable and hygienic restaurants. We also began offering some convenient and highly economical two-person meal packages, enabling couples to better co-ordinate their dining times. A series of focus groups studies that we undertook also showed that Hong Kong people were missing the foreign food they would normally have enjoyed on holiday; in response, in March 2021 we launched a new series of Vietnamese-themed dishes, soon to be followed by other exotic menu items.

We pride ourselves on our close communication with staff, and the excellent staff relationships that exist across our organisation. Face-to-face communication became more difficult in the pandemic, so we increased our use of digital channels for staff communication and training. We expanded our use of short training videos for Customer Service training, which can be produced quickly and distributed across the organisation efficiently, and which are popular among staff because they deliver their practical, consistent messages in a fun way. These training methods allowed us to reinforce our commitment to delivering high quality service at all times, even in the face of government measures which changed the way staff had to operate. The Group was honoured this year to be awarded the Outstanding Award for Employers by the Employees Retraining Board (ERB), an award which recognises our work in providing job opportunities to ERB trainees, as well as on-the-job training and career development opportunities to newly recruited staff.

Alongside all these initiatives, the Group took measures to tighten its belt wherever possible. One way we enhanced our cost management was by better staff shift arrangements across the year through flexible scheduling. We also negotiated both with restaurant landlords for rental concessions or reductions in the period, and with our food and non-food vendors and contractors for better terms. Cumulatively, these efforts paid off and helped Fairwood maintain a relatively stable bottom line. Enhanced efficiencies were also explored. For example, we were able to streamline our storage arrangements both at our central food processing plant and with our key logistics provider, freeing up more storage space and reducing costs due to more flexible storage options.

### ***Hong Kong***

As aforementioned, the Hong Kong market was hard hit by the pandemic with same-store sales down by approximately 15% for the year. In response to the mandatory government measures imposed throughout the year, our Fairwood fast-food restaurants in Hong Kong expanded their takeaway sales and introduced the new 'Click and Collect' platform to counteract the drop in dine-in sales. Costs were also reduced by flexible staff scheduling and negotiations with landlords and suppliers. Nevertheless, Fairwood has gratefully received various Government subsidies which have helped us maintain a stable position.

Our specialty restaurants were harder hit than our fast-food outlets by COVID-19, since part of the appeal of these restaurants is the in-store experience they offer to our customers. Once the dining scene stabilised in the second half of the year, however, performances recovered well, showing that these restaurants enjoy a strong and loyal customer base. Our Taiwan Bowl restaurants were especially resilient, and we expect to further expand this brand when circumstances permit.

Our social responsibility activities this year have necessarily been focused on responding to the pandemic. We have done our best to support Government anti-pandemic measures and to provide Hong Kong people with a safe, hygienic environment to dine in. We continued to distribute our 'Care for Senior Cards' to the elderly over the year, adding in new dining benefits in the process. Other community events have been placed temporarily on hold; we look forward to resuming them as soon as it is safe to do so.

### ***Mainland China***

Results from Fairwood's Mainland operations followed a similar pattern to that of Hong Kong, with same-store sales down by approximately 27% in local currency. With firm confidence in the potential of our Mainland China operations, we opened four new stores in the year, while also completing the localisation of the entire Mainland China management and operational team. By doing this, we have enhanced the 'on the ground' local expertise that is so valuable when making decisions about new store locations and engaging in rental negotiations. This localisation move represents greater empowerment for Mainland stores and a higher level of trust in the ability of

our Mainland managers to respond to local market conditions and customer preferences, and brings benefits for Fairwood in expanding further in Mainland China. We expect to see a further rebound in sales in the year ahead, providing us with a solid foundation for future growth.

## **Network**

During the year under review, the Group opened nine new stores, five in Hong Kong and four in Mainland China. As of 31 March 2021, the Group had a total of 156 stores in Hong Kong, including 145 Fairwood fast food restaurants and 11 specialty restaurants, namely three ASAP, three Taiwan Bowl, four The Leaf Kitchen, and one Kenting Tea House. In Mainland China, the Group operates 16 stores.

## **Prospects**

As COVID-19 restrictions are gradually eased by the Government, Fairwood is experiencing a marked pick-up in sales as customers return to their preferred restaurant dining habits. We are optimistic that, assuming the pandemic is kept under control, the Group's performance will again reflect its underlying strengths and its strong historic reputation in Hong Kong, and we will continue to grow on the Mainland.

As we readjust to the new normal, we remain totally committed to Fairwood's core values — namely, providing heartfelt service for our customers while delivering high quality food at affordable prices. The cost controls that we have initiated in the past year will continue, as part of our commitment to prudent financial management. We will also continue our heightened emphasis on health and hygiene, to keep customers reassured of the safety of dining at Fairwood. Plans are in place to continue expanding our menu options to increase our appeal across an even wider range of age groups, supplemented by a greater use of technology for menu selection, ordering and delivery processes.

After year-end, in April 2021, the Group completed the acquisition of a bakery production line, including machinery, inventory and staff. This acquisition will give us full control over the production of bakery items for our restaurants. Among the benefits it will bring, we will be able to expand the range of bakery products we offer while at the same time reducing the costs associated with these products.

## **Financial review**

### ***Liquidity and financial resources***

At 31 March 2021, total assets of the Group were HK\$2,448.0 million (2020: HK\$2,708.9 million). The Group's net current liabilities were HK\$9.6 million (2020: HK\$247.0 million), represented by total current assets of HK\$802.3 million (2020: HK\$668.6 million) against total current liabilities of HK\$811.9 million (2020: HK\$915.6 million). Current ratio, being the proportion of total current assets against total current liabilities, was 1.0 (2020: 0.7). Total equity was HK\$777.8 million (2020: HK\$720.8 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2021, the Group had bank deposits and cash and cash equivalents amounting to HK\$622.1 million (2020: HK\$511.0 million), representing an increase of 21.7%. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 31 March 2021 and 2020, the Group had no bank loan and the gearing ratio was nil, which was calculated based on the total bank loan over the total equity. The unutilised banking facilities were HK\$269.7 million (2020: HK\$247.4 million).

### ***Depreciation***

The Group's depreciation of other property, plant and equipment decreased by HK\$3.0 million from HK\$103.9 million to HK\$100.9 million mainly due to fewer renovation works during the year.

The depreciation charges of right-of-use assets, which were amortised the right-of-use assets in a straight-line basis over the lease term in accordance to HKFRS 16, increased by HK\$13.0 million from HK\$430.2 million to HK\$443.2 million. The increase was primarily due to last year's renewal of the short-term leases.

### ***Finance costs***

During the reporting period, the Group recorded the finance costs of HK\$36.8 million (2020: HK\$38.0 million). The finance costs represented the interest expenses accrued on the outstanding balance of the lease liabilities.

### ***Profitability***

Return on average equity was 20.5% (2020: 8.1%), 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\$93.5 million (2020: HK\$143.6 million). The decrease was mainly due to fewer renovation works for new shops 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 2021, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK\$1.0 million (2020: HK\$1.1 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 2021 were HK\$7.9 million (2020: HK\$19.5 million).

### ***Contingent liabilities***

At 31 March 2021, 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\$89.2 million (2020: HK\$101.5 million).

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

### ***Employee information***

At 31 March 2021, the total number of employees of the Group was approximately 5,600 (2020: 5,800). Staff costs for the year were approximately HK\$734.3 million (2020: HK\$1,019.9 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 HK60.0 cents (2020: HK50.0 cents) per share for the year ended 31 March 2021. Together with the interim dividend of HK30.0 cents (2020: HK23.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2021 amounts to HK90.0 cents (2020: HK73.0 cents) per share, representing a total distribution of approximately 76% of the Group's profit for the year. The proposed final dividend will be paid on or before Thursday, 7 October 2021 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 20 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 3 September 2021 to Thursday, 9 September 2021 (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 4:30 p.m. on Thursday, 2 September 2021 for registration.

The Register of Members of the Company will also be closed from Thursday, 16 September 2021 to Monday, 20 September 2021 (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 4:30 p.m. on Wednesday, 15 September 2021 for registration.

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

Throughout the year ended 31 March 2021, 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 2021, 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 2020/2021 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 auditor the annual results for the year ended 31 March 2021 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 2021 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 KPMG.

## **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 2021.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Company ([www.fairwoodholdings.com.hk](http://www.fairwoodholdings.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020/2021 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**

Given the severe challenges we have faced, I am deeply grateful for the Fairwood spirit on display throughout the year. Everyone involved with Fairwood has rallied round and played their parts to keep us moving forward. I would especially like to thank our devoted staff members, who have gone over and above their calling to keep our restaurants operating smoothly, and to reassure and put our customers at ease in a warm professional manner. Not many organisations of our size can boast such a close 'family' atmosphere within its workforce. I must also thank the people of Hong Kong, for whom Fairwood has long been a much-loved household name. Despite the difficulties associated with dining out over the past year, our customers have come back to us again and again, showing their appreciation for everything that Fairwood stands for.

The signs are promising that society has turned a corner in dealing with the pandemic. Fairwood has battled through a tough period, staying strong and staying committed to serving our community under the most difficult of circumstances. I believe that will not be forgotten once things restabilise, and that the experience will indeed make us stronger as a company and as an integral part of society.

By Order of the Board  
**Dennis Lo Hoi Yeung**  
*Executive Chairman*

Hong Kong, 29 June 2021

*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; 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.*