FAIRWOOD HOLDINGS LIMITED
大快活集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

HIGHLIGHTS

- Profit for the year rose by 12.9% to HK$50.7 million (2023: HK$44.9 million). Excluding the Government subsidies of HK$1.4 million (2023: HK$41.6 million), profit for the year was HK$49.3 million (2023: HK$3.3 million), representing an increase of HK$46.0 million.
- Revenue was HK$3,136.9 million (2023: HK$3,024.2 million), increased by 3.7%.
- The Group maintained a healthy financial position with bank deposits, cash and cash equivalents of HK$641.0 million (2023: HK$646.8 million) as at 31 March 2024.
- The Group had no bank borrowings and nil gearing ratio as at 31 March 2024.
- Basic earnings per share were HK39.10 cents (2023: HK34.64 cents), increased by 12.9%.
- Final dividend of HK30.0 cents per share was proposed, representing a total dividend per share for the year of HK41.0 cents and a payout ratio of approximately 105%.

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 2024, together with the comparative figures for the year ended 31 March 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	3	**3,136,947**	3,024,152
Cost of sales	5(b)	**(2,866,353)**	(2,767,394)
Gross profit		**270,594**	256,758
Other revenue and other net gain	4	**42,405**	41,514
Selling expenses		**(35,530)**	(37,379)
Administrative expenses	5(b)	**(145,324)**	(132,058)
Impairment losses on other property, plant and equipment		**(11,125)**	(14,033)
Impairment losses on right-of-use assets		**(21,509)**	(26,600)
Valuation losses on investment properties		**(1,020)**	(4,840)
Profit from operations		**98,491**	83,362
Finance costs	5(a)	**(33,366)**	(31,698)
Profit before taxation	5	**65,125**	51,664
Income tax	6	**(14,468)**	(6,784)
Profit for the year attributable to equity shareholders of the Company		**50,657**	44,880
Earnings per share	8		
Basic		**HK39.10 cents**	HK34.64 cents
Diluted		**HK39.10 cents**	HK34.64 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	2024	2023
	HK$'000	*HK$'000*
Profit for the year attributable to equity shareholders of the Company	**50,657**	44,880
Other comprehensive expense 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	**(578)**	(4,106)
Total comprehensive income for the year attributable to equity shareholders of the Company	**50,079**	40,774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2024

	Notes	At 31 March 2024 HK$'000	At 31 March 2023 HK$'000
Non-current assets			
Investment properties		**22,240**	23,260
Other property, plant and equipment		**396,593**	379,399
Right-of-use assets		**970,574**	1,033,885
		1,389,407	1,436,544
Goodwill		**1,001**	1,001
Rental deposits paid		**60,302**	68,483
Deferred tax assets		**703**	4,070
		1,451,413	1,510,098
Current assets			
Inventories		**52,651**	55,624
Trade and other receivables	*9*	**102,725**	90,033
Current tax recoverable		**39**	32
Bank deposits and cash and cash equivalents		**640,983**	646,758
		796,398	792,447
Current liabilities			
Trade and other payables	*10*	**435,009**	400,536
Lease liabilities		**389,911**	393,575
Current tax payable		**6,214**	406
Provisions	*11*	**26,601**	20,804
Long service payment obligation	*12*	**608**	1,903
		858,343	817,224
Net current liabilities		**(61,945)**	(24,777)
Total assets less current liabilities		**1,389,468**	1,485,321

	Notes	At **31 March 2024** ***HK$'000***	At 31 March 2023 *HK$'000*
Non-current liabilities			
Lease liabilities		**652,270**	732,878
Deferred tax liabilities		**117**	76
Rental deposits received		**1,798**	14
Provisions	*11*	**46,636**	47,450
Long service payment obligation	*12*	**28,242**	24,274
		729,063	804,692
Net assets		**660,405**	680,629
Capital and reserves			
Share capital		**129,553**	129,553
Reserves		**530,852**	551,076
Total equity		**660,405**	680,629

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 2024.

As at 31 March 2024, the Group's total current assets were HK$796,398,000 (2023: HK$792,447,000) and total current liabilities were HK$858,343,000 (2023: HK$817,224,000). As a result, the Group recorded net current liabilities of HK$61,945,000 (2023: HK$24,777,000) mainly due to lease liabilities of HK$389,911,000 (2023: HK$393,575,000) recognised under current liabilities.

Despite the net current liabilities as at 31 March 2024, the Group's bank deposits and cash and cash equivalents amounted to HK$640,983,000 (2023: HK$646,758,000) on the same day and the Group reported a profit before taxation of HK$65,125,000 (2023: HK$51,664,000) and recorded net cash generated from operating activities of HK$650,108,000 (2023: HK$709,393,000) during the year ended 31 March 2024. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 March 2024, 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 2024. 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 new and amendments to HKFRSs that are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities Arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 April 2022;

(ii) the Group also, as at 1 April 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

Upon the application of the amendments, the Group has recognised the related deferred tax assets and deferred tax liabilities as at 1 April 2022 on a gross basis. It has no impact on the retained profits at the earliest period presented and no material impact on the Group's financial position and performance.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

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:

	2024	2023
	HK$'000	*HK$'000*
Sale of food and beverages at a point in time	**3,135,401**	3,023,549
Property rental	**1,546**	603
	3,136,947	3,024,152

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 of 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 2024 and 2023 is set out below.

	Hong Kong restaurants		**Mainland China restaurants**		**Other segments**		**Total**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,951,897**	2,873,125	**183,504**	150,424	**1,546**	603	**3,136,947**	3,024,152
Inter-segment revenue	**–**	–	**–**	–	**348**	348	**348**	348
Reportable segment revenue	**2,951,897**	2,873,125	**183,504**	150,424	**1,894**	951	**3,137,295**	3,024,500
Reportable segment profit/(loss)	**98,784**	106,112	**(6,554)**	(13,255)	**6,549**	4,280	**98,779**	97,137
Interest income	**28,086**	14,643	**25**	68	**2**	46	**28,113**	14,757
Interest expenses	**(30,748)**	(29,183)	**(2,618)**	(2,515)	**–**	–	**(33,366)**	(31,698)
Depreciation	**(475,879)**	(454,290)	**(23,655)**	(23,449)	**(919)**	(922)	**(500,453)**	(478,661)
Impairment losses on other property, plant and equipment	**(7,680)**	(11,024)	**(3,445)**	(3,009)	**–**	–	**(11,125)**	(14,033)
Impairment losses on right-of-use assets	**(13,913)**	(20,604)	**(7,596)**	(5,996)	**–**	–	**(21,509)**	(26,600)

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

	2024	2023
	HK$'000	*HK$'000*
Profit		
Reportable segment profit before taxation	**98,779**	97,137
Valuation losses on investment properties	**(1,020)**	(4,840)
Impairment losses on other property, plant and equipment	**(11,125)**	(14,033)
Impairment losses on right-of-use assets	**(21,509)**	(26,600)
Consolidated profit before taxation	**65,125**	51,664

(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**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**2,953,910**	2,873,282	**1,270,333**	1,309,064
Mainland China	**183,037**	150,870	**120,075**	128,481
	3,136,947	3,024,152	**1,390,408**	1,437,545

4 OTHER REVENUE AND OTHER NET GAIN

	2024 *HK$'000*	2023 *HK$'000*
Other revenue		
Interest income	**28,113**	14,757
Government grants *(note)*	**1,416**	17,619
	29,529	32,376
Other net gain		
Net loss on disposal of other property, plant and equipment	**(7,704)**	(4,819)
Net foreign exchange loss	**(1,021)**	(2,062)
Electric and gas range incentives	**5,093**	5,412
Profit on sale of redemption gifts	**1,035**	580
Gain on lease modifications	**10,290**	7,238
Others	**5,183**	2,789
	12,876	9,138
	42,405	41,514

Note: For the year ended 31 March 2023, the amount 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:

	2024	2023
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on lease liabilities	**33,312**	31,698
Interest expense on bank borrowings	**54**	–
	33,366	31,698
(b) Other items		
Cost of inventories *(note (i))*	**772,510**	789,047
Depreciation charge		
– Other property, plant and equipment	**93,733**	89,122
– Right-of-use assets	**406,720**	389,539
Auditor's remuneration		
– Audit services	**1,930**	3,553
– Tax services	**65**	179
– Other services	**–**	28
Expense relating to short-term leases	**18,971**	14,679
Variable lease payments not included in the measurement of lease liabilities	**5,733**	6,469
Building management fee and air conditioning	**86,562**	83,517
Electricity, water and gas	**180,770**	175,730
Logistic expense	**72,011**	68,880
Repair and maintenance	**46,272**	45,144
Sanitation	**49,569**	50,349
Cost of subsequent replacement of cutlery and utensils	**10,804**	11,058
Directors' fee	**1,249**	1,440
Salaries, wages and other benefits *(note (ii))*	**1,047,731**	971,148
Contributions to defined contribution retirement plan	**50,471**	48,585
Equity-settled share-based payment expenses	**2,246**	760
Other expenses	**164,330**	150,225
	3,011,677	2,899,452
Representing:		
Cost of sales	**2,866,353**	2,767,394
Administrative expenses	**145,324**	132,058
	3,011,677	2,899,452

Note (i): The cost of inventories represents food and packaging costs.

Note (ii): The item was net of employment support scheme subsidies from the Government of the Hong Kong Special Administrative Region ("The HKSAR Government") of nil (2023: HK$24,000,000).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2024	2023
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**11,104**	6,588
Over-provision in respect of prior years	**(44)**	(60)
Deferred tax		
Origination and reversal of temporary differences	**3,408**	256
	14,468	6,784

The provision for Hong Kong Profits Tax for 2023/2024 is calculated at 16.5% (2022/2023: 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 2022/2023.

The Group's Mainland China operations sustained losses for taxation purpose for 2024 and 2023. Therefore, no provision has been made for People's Republic of China (the "PRC") Enterprise Income Tax for both years.

7 DIVIDENDS

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

	2024	2023
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK11.0 cents (2023: HK18.0 cents) per share	**14,251**	23,320
Final dividend proposed after the end of the reporting period of HK30.0 cents (2023: HK40.0 cents) per share	**38,866**	51,821
Special final dividend proposed after the end of the reporting period of nil (2023: HK5.0 cents) per share	**–**	6,477
	53,117	81,618

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

	2024	2023
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK40.0 cents (2023: HK40.0 cents) per share	**51,821**	51,821
Special final dividend in respect of the previous financial year, approved and paid during the year, of HK5.0 cents (2023: nil cents) per share	**6,477**	–
	58,298	51,821

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$50,657,000 (2023: HK$44,880,000) and the weighted average number of ordinary shares of 129,553,000 shares (2023: 129,553,000 shares) in issue during the year.

(b) Diluted earnings per share

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of the Company's shares during the period when the share options were outstanding for both years ended 31 March 2024 and 2023.

9 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:

	2024	2023
	HK$'000	*HK$'000*
1 to 30 days	**20,130**	8,737
31 to 90 days	**302**	790
91 to 180 days	**25**	85
181 to 365 days	**3**	51
	20,460	9,663

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

10 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:

	2024	2023
	HK$'000	*HK$'000*
1 to 30 days	**128,020**	125,045
31 to 90 days	**421**	83
91 to 180 days	**154**	491
181 to 365 days	**32**	40
Over one year	**190**	165
	128,817	125,824

11 PROVISIONS

	2024	2023
	HK$'000	*HK$'000*
Provision for reinstatement costs for rented premises	**73,237**	68,254
Less: Amount included under "current liabilities"	**(26,601)**	(20,804)
Amount included under "non-current liabilities"	**46,636**	47,450

12 LONG SERVICE PAYMENT OBLIGATION

	2024	2023
	HK$'000	*HK$'000*
Long service payment obligation	**28,850**	26,177
Less: Amount included under "current liabilities"	**(608)**	(1,903)
Amount included under "non-current liabilities"	**28,242**	24,274

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

For the year ended 31 March 2024, revenue of the Group increased by 3.7% year-on-year, to HK$3,136.9 million (2023: HK$3,024.2 million). Profit attributable to equity shareholders rose by 12.9% to HK$50.7 million (2023: HK$44.9 million). Excluding the Government subsidies of HK$1.4 million (2023: HK$41.6 million), profit for the year was HK$49.3 million, as against HK$3.3 million in 2023. The Group's gross profit margin increased to 8.6% (2023: 8.5%). Basic earnings per share amounted to HK39.10 cents (2023: HK34.64 cents).

Business review

Despite post-pandemic hopes for a rapid rebound, Hong Kong experienced muted growth over the year under review, as it struggled with a falling housing market, an underperforming stock market and widespread worries about employment. Visitor numbers to Hong Kong have also been disappointing. These large-scale concerns combined to rein in consumer spending and put brakes on growth.

Despite this unpromising context, the Group delivered a modestly successful performance for the year, following a solid first half performance. Its results were attributable partly to its attractive value proposition in a depressed market, and partly to a number of proactive initiatives undertaken to attract and retain customers, target new demographics, control costs and boost efficiencies. It has long been a noted phenomenon that diners tend to 'trade down' in a tougher economic environment, seeking for comparable food quality and experience at a lower price. The Group's well-priced and high-value dining options are attractive for many people in this position, and we have continued to devote marketing efforts to drawing attention to the quality and value of our premium dining options.

Apart from this, we have pushed ahead with initiatives to bring in new customers and expand our customer base, especially targeting those from a younger demographic. This has involved introducing some innovative new products that appeal specifically to younger diners, which have proved very effective in enhancing the frequency of visits to our restaurants. Alongside this, we have been assiduous in managing rising food costs, embracing a raft of measures that have not only slowed rising food costs but have actually reduced them on a year-on-year basis. As a result of these initiatives, Same Store Sales Growth (SSSG) for Fairwood's fast food restaurants rose by approximately 2% year on year.

Meanwhile, despite a muted Mainland economic environment, we have made continuing efforts to push ahead in developing our fledgling Greater Bay Area (GBA) operations. These operations have made good progress in the year, moving them closer to our goal of long-term profitability. SSSG for our Mainland stores amounted to approximately 16% year on year, a positive achievement.

During the year, the Group continued with its effective strategy of introducing new product innovations, limited time offers, and local delicacies to extend its menu offerings and attract a wider range of customers. Among our successful limited time offers were a new Thai series of dishes, Japanese Teriyaki Beef, and a Laksa Noodles lunch set. Some new products were added to strengthen the appeal of specific day parts; for example, we introduced a new Thai Style Volcano Pork Bones and a value-for money Combo for Two that were specifically aimed at the evening dinner segment. We also launched a popular Double-boiled Soup offer, providing a quick and convenient alternative to time-consuming traditional home-prepared soup. Alongside this, we continued to offer a range of special value dishes at attractive low prices to meet the expectations of budget-conscious diners. We also continued to emphasise our ability to deliver local delicacies that have long been favourites among Hong Kong people, but which have in the past not been associated with fast-food dining. For example, we offer Claypot Rice dishes, presented in a refundable claypot, in collaboration with a local enterprise, Koon Chun Sauce Factory. This initiative has strongly associated the Fairwood brand with Hong Kong's unique claypot cuisine and successfully reasserted our 'home-grown' connections with the city. The connection has been reinforced through an award-winning advertising campaign featuring Australian YouTuber Brendan, a fluent Cantonese speaker and ardent admirer of Hong Kong's local food culture. The video series for our Claypot Rice Campaign won a Silver Award for 'Best Idea – Video' at the prestigious MARKies Awards 2024.

Efforts to target new demographic segments continued. For example, we expanded the range of 'croffles' we offer, a menu item that appeals especially to younger café lovers, by adding further sweet and savoury options. These were strongly promoted on social media platforms. We also added a range of high-end bakery items to our menu to target premium customers, along with sophisticated new bread products (e.g. walnut grain bun, cranberry soft bun, longan and goji berry soft bun), which were successfully promoted through a third-party social media platform. Meanwhile, we continued to see good results from our healthy Gym Lovers meal options, and engaged different KOLs to further promote Fairwood to this target segment.

Launched 18 months ago, the Fairwood app has continued to grow in popularity to become an important tool for recruiting and connecting with customers, promoting new products and deals, and cementing customer loyalty. At year-end membership of the app stood at over 730,000, up from 660,000 six months earlier. Three major promotions were run via the app in the year, which proved very successful in attracting new members and driving store visits. We were delighted to receive external recognition of the app at the HKRMA 2023 Smart Retailing Awards, where it won the Smart Transformation & Innovation Award (Retailer Group) – Bronze Award for Customer Engagement.

Elsewhere, we have continued with our internal digitalisation initiatives, continuing to roll out our Kitchen Management System in stores, adding Mobile Order and Payment options, and installing Digital Menu Boards.

Effective food cost controls have given the Group a competitive edge over many of its competitors. Although the cost of many raw ingredients did increase in the year, the Group was actually able to reduce its overall food costs through a range of cost savings and avoidance initiatives. We also established relationships with some new vendors to achieve better food quality and cost efficiencies, while locating new supply sources and increasing the level of our direct imports of some ingredients. Cost optimisation was also undertaken for food packaging, particularly for takeaway dishes, while menus and SKUs were also optimised to benefit from seasonality. In addition to all these, strategic price rises were made in a few areas.

Labour costs have remained high across the industry due to a widespread shortage of labour and an over-supply of restaurants. The Group's efforts to address this problem have included implementing various digitalisation initiatives that are reducing manual tasks and optimising deployment of staff. Our Kitchen management System (KMS), for instance, serves to significantly reduce the workload of kitchen staff. However, implementing the KMS involves relatively high capital investment, so it is occurring gradually across the Group's network in conjunction with store renovations or openings. Other initiatives that are reducing labour demand include digitalising paperwork in order to free up staff time for other tasks, improving the balance of part-time and full-time staff to create greater rostering flexibility, and encouraging diners to use digital kiosks for ordering, reducing the need for front-line counter staff.

Rental trends have worked in the Group's favour for the year. This has arisen due to robust negotiations over rental contract renewals in the year, and the sourcing of cost-effective sites for new stores.

Network

During the year under review, the Group opened 11 new stores, of which 7 were in Hong Kong and 4 in Mainland China. In the same period it closed 8 underperforming stores, 6 in Hong Kong and 2 in Mainland China. As a result, at 31 March 2024 it was operating with 182 stores, 158 in Hong Kong and 24 in Mainland China. The Group's Fairwood fast food restaurant chain in Hong Kong finished the year with 149 stores, after 7 were opened and 5 closed during the year. As for its specialty restaurants, at year-end there was a total of 9 specialty stores in operation: 3 ASAP, 3 Taiwan Bowl, and 3 The Leaf Kitchen.

Giving back to the community

Membership of our popular Care for Seniors Card programme continued to climb over the year. By year end, over 470,000 seniors were members of the card programme, which offers special meal deals and other privileges for older Hong Kongers. This number represents a climb of over 30,000 since our Interim Report six months ago. Meanwhile, our Fairwood Care for Community Programme expanded its activities. The Heartwarming Food Donation Programme was carried out on 13 separate occasions in the year, involving donations of meal boxes and daily essentials to needy members of the community. We also ran Joyous Meal with Seniors events on 14 occasions, bringing together groups of elderly people living alone for communal meals in Fairwood restaurants.

The Group has also continued to push towards becoming a more sustainable and environmentally friendly operation, in line with customer expectations and our own commitment to our future generations. The Re-purposed Coffee Grounds and Lemon Rinds initiative, launched this year, gave customers at 130 Fairwood stores the opportunity to take home these items, in the process eliminating around 210 tonnes of food waste for the Group in 2023/24. The initiative also generated much positive media coverage, calculated to be worth over HK$4.7 million. In January 2024 we also launched a Recycle Sugar Packets campaign which is helping us to reuse unwanted packets of sugar rather than discarding them.

Part of our sustainability initiatives involves incentivising our customers to embrace sustainable dining. An important step has been our initiative to encourage customers to go 'cutlery free' by using their own cutlery; for every customer who did this eight times, Fairwood donated one meal to the needy. Cash coupons were also included to further incentivise customers. The outcome was exceptional: in 2023/24, we saw a reduction of over 1 million pieces of single-use plastic cutlery, and donated over 35,000 meals as a result.

The installation of solar panels on the roofs of the central food processing plant has helped the Group reduce its carbon emissions, in support of CLP's clean energy initiatives. Since August 2023, these panels have generated more than 36,000 KWh of electricity for the Group's use.

Prospects

From a macro perspective, Hong Kong and the GBA appear to be entering a downward economic cycle, with consumers tightening their belts as they wait for greater economic certainty going forward. In Hong Kong, challenges have also appeared in the form of the 'Shenzhen factor', which is seeing large numbers of Hong Kongers travelling to Shenzhen and the GBA for leisure on weekends, weakening local consumption patterns. Offsetting this to an extent is the fact that an increasingly large number of residents of Mainland cities now enjoy visa-free access to Hong Kong.

Some aspects of this macro perspective are promising for the Group. For example, the downturn is pushing rental costs lower, and it is likely that opportunities for expansion will arise as a result. Indeed, upcoming rental negotiations for new leases in the year ahead are likely to improve profitability in as many as one third of Fairwood stores. In addition, the poor economy is attracting more customers who may not previously have considered Fairwood, especially evening diners who are 'trading down' and becoming aware of Fairwood's excellent and high value dinner options.

As mentioned above, the Group's food costs are being managed well, and we expect to continue to enjoy the strong competitive edge that this brings. Staff costs will continue to bring pressures, and to address these we will be working to further optimise our staff arrangements, expand our digitalisation initiatives, and re-engineer our work processes to streamline staff workflows further.

We do expect the Mainland environment to remain a challenging one in the year ahead, as uncertainties about the strength and direction of the Mainland economy linger. Ultimately though, we believe our Mainland operations are on the right track for solid profitability once they have achieved the appropriate economies of scale, and our plans to continue expansion in the GBA remain firmly in place.

Financial review

Liquidity and financial resources

At 31 March 2024, total assets of the Group were HK$2,247.8 million (2023: HK$2,302.5 million). The Group's net current liabilities were HK$61.9 million (2023: HK$24.8 million), represented by total current assets of HK$796.4 million (2023: HK$792.4 million) against total current liabilities of HK$858.3 million (2023: HK$817.2 million). Current ratio, being the proportion of total current assets against total current liabilities, was 0.9 (2023: 1.0). Total equity was HK$660.4 million (2023: HK$680.6 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 31 March 2024, the Group had bank deposits and cash and cash equivalents amounting to HK$641.0 million (2023: HK$646.8 million), representing a drop of 0.9%. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 31 March 2024 and 2023, 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$231.3 million (2023: HK$260.0 million).

Depreciation

The Group's depreciation of other property, plant and equipment increased by HK$4.6 million from HK$89.1 million to HK$93.7 million due to more renovation shops during the year.

The depreciation charges of right-of-use assets, which were amortised on a straight-line basis over the lease term in accordance with HKFRS 16, increased by HK$17.2 million from HK$389.5 million to HK$406.7 million. The increase was primarily due to the addition of the new shops and lease modification of the existing shops during the year.

Finance costs

During the year, the Group recorded the finance costs of HK$33.4 million (2023: HK$31.7 million). The finance costs mainly represented the interest expenses accrued on the outstanding balance of the lease liabilities.

Profitability

Return on average equity was 7.6% (2023: 6.4%), 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$131.5 million (2023: HK$104.7 million). The increase was mainly due to more renovation works for the 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 2024, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK$0.7 million (2023: HK$0.8 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 2024 were HK$24.3 million (2023: HK$10.3 million).

Contingent liabilities

At 31 March 2024, 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$87.7 million (2023: HK$88.9 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 2024, the total number of employees of the Group was approximately 5,700 (2023: 5,600). Staff costs for the year were approximately HK$1,100.4 million (2023: HK$1,020.5 million). During the last reporting period, the staff cost was net of the employment support scheme of HK$24.0 million subsidies from HKSAR Government. 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.

DIVIDENDS

The Board recommends to pay a final dividend of HK30.0 cents (2023: HK40.0 cents) per share and a special final dividend of nil (2023: HK5.0 cents) per share for the year ended 31 March 2024. Together with the interim dividend of HK11.0 cents (2023: HK18.0 cents) per share paid during the year, the total dividend for the year ended 31 March 2024 amounts to HK41.0 cents (2023: HK63.0 cents) per share, representing a total distribution of approximately 105% of the Group's profit for the year. The proposed final dividend will be paid on or before Thursday, 3 October 2024 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 20 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 4 September 2024 to Tuesday, 10 September 2024 (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 Tuesday, 3 September 2024 for registration.

The Register of Members of the Company will also be closed from Tuesday, 17 September 2024 to Friday, 20 September 2024 (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 Monday, 16 September 2024 for registration.

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

Throughout the year ended 31 March 2024, 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 as set out in Appendix C1 of the Listing Rules throughout the year ended 31 March 2024, 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 2023/2024 Annual Report.

AUDIT COMMITTEE

The audit committee comprises three 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 2024 and discussed internal control and risk management system of the Company with the management.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 28 June 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 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 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the respective websites of the Company (www.fairwoodholdings.com.hk) and the Stock Exchange (www.hkexnews.hk). The 2023/2024 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

As always, I would like to take this opportunity to put on record my sincere thanks to all those who supported the Group's successes in the past year. The Fairwood team has continued to do their very best, and of course the support of our loyal customers, including many new customers this year, has been essential. Thanks are also due to our many suppliers and business partners, while the loyalty and backing of Fairwood's shareholders have been much appreciated.

To our shareholders, I would like to conclude by making reference to the Group's excellent track record and solid prospects. We are closely associated with the essence of Hong Kong, and are a much-loved element in countless local memories. The Group continues to be managed by an astute and competent team, with a separate localised and experienced management team running its GBA operations. With these foundations underpinning our operations, we will continue to work on delivering the things we are best known for: good quality, low cost high value dining experiences that meet the needs of a wide range of locals, delivered efficiently and cost-effectively.

By Order of the Board
Fairwood Holdings Limited
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 28 June 2024

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) and Ms Peggy Lee; and
Independent Non-executive Directors: Mr Joseph Chan Kai Nin, Dr Peter Lau Kwok Kuen, Dr Peter Wan Kam To and Mr Yip Cheuk Tak.