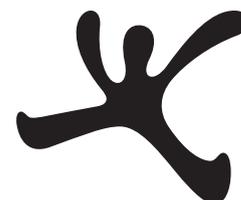


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FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

HIGHLIGHTS

- Revenue increased by 4.2% to HK\$1,558.0 million from HK\$1,494.7 million.
- Profit for the period before government subsidies surged from HK\$2.0 million to HK\$35.3 million. Government subsidies were HK\$1.0 million (2022: HK\$40.8 million).
- Profit for the period attributable to equity shareholders of the Company was HK\$36.3 million (2022: HK\$42.8 million).
- The Group maintained a healthy financial position with bank deposits and cash and cash equivalents of HK\$686.6 million and no bank borrowings as at 30 September 2023.
- Basic earnings per share were HK28.03 cents (2022: HK33.06 cents).
- The Board of Directors declared an interim dividend of HK11.0 cents per share.

INTERIM RESULTS

The Board of Directors (the “Board”) of Fairwood Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2023 together with the comparative figures for the six months ended 30 September 2022. The interim financial results are unaudited, but have been reviewed by the Company’s auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the interim financial results have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023-UNAUDITED

		Six months ended	
		30 September	
		2023	2022
	<i>Note</i>	HK\$’000	HK\$’000
Revenue	3	1,558,003	1,494,720
Cost of sales		<u>(1,411,495)</u>	<u>(1,357,504)</u>
Gross profit		146,508	137,216
Other revenue and other net gain	4	18,284	21,684
Selling expenses		(18,934)	(16,583)
Administrative expenses		(74,376)	(58,993)
Valuation losses on investment properties		(1,030)	(3,830)
Impairment losses on other property, plant and equipment	9	(4,679)	(6,660)
Impairment losses on right-of-use assets	9	<u>(6,312)</u>	<u>(9,292)</u>
Profit from operations		59,461	63,542
Finance costs	5(a)	<u>(16,052)</u>	<u>(16,204)</u>
Profit before taxation	5	43,409	47,338
Income tax expense	6	<u>(7,092)</u>	<u>(4,512)</u>
Profit for the period attributable to equity shareholders of the Company		<u>36,317</u>	<u>42,826</u>
Earnings per share	8		
Basic		<u>HK28.03 cents</u>	<u>HK33.06 cents</u>
Diluted		<u>HK28.03 cents</u>	<u>HK33.06 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023-UNAUDITED

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to equity shareholders of the Company	36,317	42,826
Other comprehensive income for the period (after tax):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	<u>(990)</u>	<u>(5,691)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>35,327</u>	<u>37,135</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2023-UNAUDITED

		At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Investment properties		22,230	23,260
Other property, plant and equipment		372,053	379,399
Right-of-use assets		<u>1,016,725</u>	<u>1,033,885</u>
		1,411,008	1,436,544
Lease receivables		11,803	–
Goodwill		1,001	1,001
Rental deposits paid		64,204	68,483
Deferred tax assets		<u>4,905</u>	<u>4,070</u>
		<u>1,492,921</u>	<u>1,510,098</u>
Current assets			
Inventories		52,798	55,624
Trade and other receivables	10	107,337	90,033
Current tax recoverable		64	32
Bank deposits and cash and cash equivalents		<u>686,626</u>	<u>646,758</u>
		<u>846,825</u>	<u>792,447</u>
Current liabilities			
Trade and other payables	11	415,594	400,536
Lease liabilities		402,737	393,575
Dividends payable		58,298	–
Current tax payable		6,251	406
Provisions	12	23,578	20,804
Long service payment obligation	13	<u>2,604</u>	<u>1,903</u>
		<u>909,062</u>	<u>817,224</u>
Net current liabilities		<u>(62,237)</u>	<u>(24,777)</u>
Total assets less current liabilities		<u>1,430,684</u>	<u>1,485,321</u>

		At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		704,364	732,878
Deferred tax liabilities		119	76
Rental deposits received		686	14
Provisions	<i>12</i>	45,503	47,450
Long service payment obligation	<i>13</i>	21,676	24,274
		<u>772,348</u>	<u>804,692</u>
NET ASSETS		<u>658,336</u>	<u>680,629</u>
Capital and reserves			
Share capital		129,553	129,553
Reserves		528,783	551,076
TOTAL EQUITY		<u>658,336</u>	<u>680,629</u>

Notes:

1 BASIS OF PREPARATION

These interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

As at 30 September 2023, the Group’s total current assets were HK\$846,825,000 (31 March 2023: HK\$792,447,000) and total current liabilities were HK\$909,062,000 (31 March 2023: HK\$817,224,000).

Despite the net current liabilities as at 30 September 2023, the Group’s bank deposits and cash and cash equivalents amounted to HK\$686,626,000 (31 March 2023: HK\$646,758,000) on the same day and the Group reported a profit before taxation of HK\$43,409,000 (2022: HK\$47,338,000) and recorded net cash generated from operating activities of HK\$311,722,000 (2022: HK\$414,871,000) during the six months ended 30 September 2023. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 September 2023, 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 30 September 2023. Accordingly, the interim financial report has been prepared on a going concern basis.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 March 2023 that is included in the interim financial results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2023 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 30 June 2023.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments are relevant to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are operation of fast food restaurants and property investments.

Revenue represents the sales value of food and beverages sold to customers and rental income. An analysis of revenue is as follows:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Sale of food and beverages at a point in time	1,555,581	1,494,106
Property rental	<u>2,422</u>	<u>614</u>
	<u>1,558,003</u>	<u>1,494,720</u>

(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 fast food restaurants in Hong Kong.
- Mainland China restaurants: this segment operates fast food restaurants in Mainland China.

Other segments generate profits mainly from leasing of investment properties and include corporate expenses.

(i) *Segment results*

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 periods is set out below.

For the six months ended 30 September	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue from external customers	1,460,769	1,417,757	94,812	76,349	2,422	614	1,558,003	1,494,720
Inter-segment revenue	-	-	-	-	892	1,400	892	1,400
Reportable segment revenue	<u>1,460,769</u>	<u>1,417,757</u>	<u>94,812</u>	<u>76,349</u>	<u>3,314</u>	<u>2,014</u>	<u>1,558,895</u>	<u>1,496,120</u>
Reportable segment profit/(loss)	<u>50,515</u>	<u>68,663</u>	<u>477</u>	<u>(4,326)</u>	<u>4,438</u>	<u>2,783</u>	<u>55,430</u>	<u>67,120</u>

Segment assets information is not reported to or used by the Group's most senior executive management.

(ii) *Reconciliations of reportable segment profit*

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Profit		
Reportable segment profit before taxation	55,430	67,120
Valuation losses on investment properties	(1,030)	(3,830)
Impairment losses on other property, plant and equipment	(4,679)	(6,660)
Impairment losses on right-of-use assets	<u>(6,312)</u>	<u>(9,292)</u>
Consolidated profit before taxation	<u>43,409</u>	<u>47,338</u>

4 OTHER REVENUE AND OTHER NET GAIN

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Other revenue		
Interest income	13,516	3,533
Government grants (<i>Note</i>)	<u>1,029</u>	<u>16,752</u>
	<u>14,545</u>	<u>20,285</u>
Other net gain		
Gain on lease modifications	4,810	786
Electric and gas range incentives	2,455	2,751
Profit on sale of redemption gifts	314	337
Net foreign exchange loss	(1,211)	(2,581)
Net loss on disposal of other property, plant and equipment	(4,786)	(1,212)
Others	<u>2,157</u>	<u>1,318</u>
	<u>3,739</u>	<u>1,399</u>
	<u>18,284</u>	<u>21,684</u>

Note: The amount during the six months ended 30 September 2022 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:

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
(a) Finance costs		
Interest expense on lease liabilities	<u>16,052</u>	<u>16,204</u>
(b) Other items		
Cost of inventories (<i>Note (i)</i>)	384,488	396,309
Depreciation		
– other property, plant and equipment	46,534	45,286
– right-of-use assets	197,452	196,524
Auditor's remuneration	2,040	2,260
Expenses related to short-term leases	10,041	5,498
Variable lease payments not included in the measurement of lease liabilities	3,185	3,067
Building management fee	26,449	24,570
Electricity, water and gas	92,269	87,572
Logistics expenses	35,575	33,347
Repair and maintenance	22,710	22,564
Sanitation	24,416	25,565
Cost of subsequent replacement of cutlery and utensils	5,441	4,845
Staff costs (<i>Note (ii)</i>)	540,343	480,734
Equity-settled share-based payment expenses	678	380
Other expenses	<u>94,250</u>	<u>87,976</u>
	<u>1,485,871</u>	<u>1,416,497</u>
Representing:		
Cost of sales	1,411,495	1,357,504
Administrative expenses	<u>74,376</u>	<u>58,993</u>
	<u>1,485,871</u>	<u>1,416,497</u>

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

Note (ii) : The amount during the six months ended 30 September 2022 was net of employment support scheme subsidies from HKSAR Government of HK\$24,000,000.

6 INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	7,884	4,707
Over-provision in respect of prior years	<u>–</u>	<u>(59)</u>
	7,884	4,648
Deferred tax		
Origination and reversal of temporary differences	<u>(792)</u>	<u>(136)</u>
	<u>7,092</u>	<u>4,512</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the six months ended 30 September 2023, 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.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2023 and 2022, 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 interim period

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend declared and payable after the interim period of HK11.0 cents (2022: HK18.0 cents) per share	<u>14,251</u>	<u>23,320</u>

The interim dividend 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 payable during the interim period

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year ended 31 March 2023, approved and payable during the following interim period, of HK40.0 cents (year ended 31 March 2022: HK40.0 cents) per share	51,821	51,821
Special final dividend in respect of the previous financial year ended 31 March 2023, approved and payable during the following interim period, of HK5.0 cents (year ended 31 March 2022: Nil) per share	<u>6,477</u>	<u>–</u>
	<u>58,298</u>	<u>51,821</u>

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2023 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$36,317,000 (2022: HK\$42,826,000) and the weighted average number of ordinary shares of 129,553,000 shares (2022: 129,553,000 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2023 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$36,317,000 (2022: HK\$42,826,000) and the weighted average number of ordinary shares of 129,553,000 shares (2022: 129,553,000 shares) in issue during the period.

9 IMPAIRMENT LOSSES ON RIGHT-OF-USE ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group's management identified certain restaurants which continued to under-perform and estimated the recoverable amounts of the right-of-use assets and other property, plant and equipment of these restaurants. Based on these estimates, the carrying amount of the right-of-use assets and other property, plant and equipment was written down by HK\$6,312,000 (six months ended 30 September 2022: HK\$9,292,000) and HK\$4,679,000 (six months ended 30 September 2022: HK\$6,660,000) respectively during the period. The estimates of recoverable amount were based on the value in use of these right-of-use assets and other property, plant and equipment, determined using a pre-tax discount rate of 15% (six months ended 30 September 2022: 15%).

10 TRADE AND OTHER RECEIVABLES

	At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
Trade debtors, net of loss allowance	16,373	9,663
Other receivables	17,635	17,906
Rental and utility deposits paid	45,370	43,901
Lease receivables	2,526	626
Prepayments	25,433	17,937
	<u>107,337</u>	<u>90,033</u>

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

	At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
1 to 30 days	15,464	8,737
31 to 90 days	662	790
91 to 180 days	161	85
181 to 365 days	86	51
	<u>16,373</u>	<u>9,663</u>

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.

11 TRADE AND OTHER PAYABLES

	At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
Creditors and accrued expenses	394,512	376,664
Contract liabilities	6,604	5,675
Other payables and deferred income	13,116	16,239
Rental deposits received	1,362	1,958
	<u>415,594</u>	<u>400,536</u>

Included in trade and other payables are trade creditors, based on the invoice date, with the following ageing analysis:

	At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
1 to 30 days	116,851	125,045
31 to 90 days	6,855	83
91 to 180 days	1,624	491
181 to 365 days	120	40
Over one year	<u>305</u>	<u>165</u>
	<u>125,755</u>	<u>125,824</u>
 12 PROVISIONS		
	At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
Provision for reinstatement costs for rented premises	69,081	68,254
Less: Amount included under “current liabilities”	<u>(23,578)</u>	<u>(20,804)</u>
	<u>45,503</u>	<u>47,450</u>
 13 LONG SERVICE PAYMENT OBLIGATION		
	At 30 September 2023 <i>HK\$'000</i>	At 31 March 2023 <i>HK\$'000</i>
Long service payment obligation	24,280	26,177
Less: Amount included under “current liabilities”	<u>(2,604)</u>	<u>(1,903)</u>
	<u>21,676</u>	<u>24,274</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

The Group's revenue for the six months ended 30 September 2023 increased by 4.2% to HK\$1,558.0 million (2022: HK\$1,494.7 million). Gross profit margin increased to 9.4% (2022: 9.2%). Profit for the period before government subsidies surged from HK\$2.0 million to HK\$35.3 million. Government subsidies were HK\$1.0 million (2022: HK\$40.8 million). Profit for the period attributable to equity shareholders of the Company was HK\$36.3 million (2022: HK\$42.8 million). Basic earnings per share were HK28.03 cents compared to HK33.06 cents for the corresponding period in 2022.

Business review

Overview

In a Hong Kong market that is still in recovery mode, especially in the retail and F&B sectors, the Group performed satisfactorily in the period under review. Throughout the period, it launched a number of successful initiatives designed to attract and retain new customers. Meanwhile, it continued to manage operating costs effectively and moved forward with a raft of cost-efficient digitalisation initiatives. All these helped Fairwood deliver a steady performance in a muted market.

As always, the Group continued to roll out product innovations to improve the customer experience and attract new diners. Its ongoing "limited time offer" ("LTO") strategy in this period saw the introduction of three new menu sets – Japanese Pork Cutlet, Moroccan baked Rice, and the Southeast Asia series – which proved very popular and were successful in driving incremental visits to its restaurants. These LTOs can be bundled with other menu options at extra cost, encouraging diners to upgrade and expand their dining experience. Various attractive new products were also developed and launched to encourage dinner dining at Fairwood. Meanwhile, the Group continued to offer a good range of value-for-money special dishes for budget-conscious diners, accompanied by competitive meal deals.

A special focus in the period involved targeting specialised customer segments with high potential for growth. For instance, a special "Gym lovers" chicken breast meal package was introduced targeted at gym users and those with high interest in personal health. Promotion was focused on the health and fitness benefits of the meal, which also included a keto option. This innovation was highly successful, driven by effective yet low-cost online advertising and the recommendations of prominent KOLs. The Group saw a doubling of sales of the "Gym lovers" dish, and a greater awareness of Fairwood among this target demographic.

In a similar vein, the Group introduced the “croffle”, a new croissant/waffle mix that can be enjoyed as a savoury or sweet dish as part of a tea set package, aimed at café lovers looking for an experience comparable with that of a medium range specialty café. This was a new direction for the Group, and generated strong interest among its target audience, attracting excellent social media coverage and a good response. These two segmentation initiatives show how the Group is working successfully to target new and younger customer groups for Fairwood.

Digitalisation initiatives continued to be rolled out in the period, as the Group looks to make the Fairwood experience ever simpler and more convenient. Membership numbers for the Group’s online app grew further, rising above 660,000. The app was used heavily both to drive member acquisition and to engage and retain existing members, through initiatives such as a lucky draw and a recruitment programme alongside LTO discounts, free gifts and free product trials. Fairwood won two HKRMA Smart Retailing Awards for its app in the period, in recognition of its quality and design. Elsewhere, the Group continues its internal digital enhancement initiatives by updating the Kitchen Management System, extending its Mobile Order & Payment (“MO&P”) options, and continuing to roll out Digital Menu Boards in its restaurants.

The Group’s well-established cost management strategies, coupled with a fall in market food costs, saw its food costs fall quite significantly in the period. Strategies such as expanding its range of vendors, global sourcing, adopting some direct imports, reducing food packaging, and optimising its menus and SKUs, all proved effective in keeping tight control over food costs. Labour costs have remained a challenge, but in this area the Group’s digitalisation and automation initiatives are making a difference. For instance, increased use of Fairwood’s MO&P is reducing the need for checkout operators, while other digitalisation efficiencies are lowering the skills base required in frontline staff. Meanwhile, rents have stabilised, and the Group once again finds itself in a position to negotiate for improved rental deals.

The Group stepped up its sustainability efforts in the period, launching an innovative new programme to encourage the reuse of what would otherwise be discarded as food waste. Fairwood stores encouraged customers to take home and reuse lemon rinds and used coffee grounds, both of which are effective in removing household kitchen odours. Not only did this initiative result in a reduction for the Group of around 93 tonnes of food waste in the period, it also generated 118 free pieces of media coverage with an estimated value of over HK\$4.7 million. The Group also continued with its campaign to reduce single-use plastic cutlery, resulting in over 500,000 fewer single-use plastic cutlery packs being used in the period, which translated into donations of more than 20,000 meals to the needy. Meanwhile, at the Central Kitchen complex, solar panels were installed on the roof to generate electricity and help reduce carbon emissions.

Hong Kong

The Group was operating 144 Fairwood fast food restaurants in Hong Kong at period-end, while the number of its specialty stores in the city remained stable at 10 across the period. The Group's specialty restaurants are part of a market sector that has been affected by changing dining trends in Hong Kong since the pandemic. Dining out has reduced quite significantly in the city, and this is bringing challenges to restaurants whose focus is on evening dining. The Group is monitoring wider trends while meanwhile working hard to contain costs and keep its restaurants in the public eye.

The Group was pleased to see membership of its Care for Senior Card membership rise to over 440,000 in the period. Seniors over 60 years of age are able to use the card to access a wide range of special offers and deals to reduce their dining costs. The Group's longstanding Fairwood Care for Community programme was back in full swing too. Its "Heartwarming Food Donation" programme took place in nine stores on five occasions, providing donations of meal boxes and packs of daily necessities to deserving recipients. Another popular programme, the "Joyous Meal with Seniors", took place in eight stores on five occasions, bringing together elderly people who live alone for an instore meal and company with Fairwood volunteers.

Mainland China

The Group's operations on the Mainland, which are focused specifically on cities in the Greater Bay Area ("GBA"), were carried out in the context of a flat economy and reduced spending across the board. Despite this less than promising macro environment, Fairwood stores in the GBA performed well in the period. Double digit same store sales growth ("SSSG") was achieved, while the Group also opened two new stores in promising areas. Profitability has continued to improve gradually as the management strategy is fine-tuned and Fairwood's reputation grows. The Group believes its GBA operations hold strong potential for future growth and profitability.

Network

As at 30 September 2023, the Group was operating 144 Fairwood fast food restaurants at strategic locations across Hong Kong. It also operated a small stable of 10 specialty restaurants under the brand names ASAP, Taiwan Bowl and The Leaf Kitchen. In the PRC, the number of Fairwood fast food restaurants continued to grow, with 24 operating in selected GBA locations as at 30 September 2023, as against 22 six months earlier.

Prospects

Hong Kong's F&B and retail markets are gradually improving as the economy gains momentum. With a rapid rebound unlikely, the Group is adopting a prudent approach as it looks for incremental improvements and enhancements to its operations, while working to expand its attractiveness to an even wider range of target groups. With business having been steady over the past six months, the Group is anticipating a solid second half ahead.

As it looks ahead to the future, the Group occupies a strong position. Its Fairwood brand remains highly respected and recognised, while the Group itself is debt-free and enjoys a healthy cash position. The immediate outlook is highly positive. In the short term its Hong Kong focus will be on smaller scale initiatives designed to bring incremental enhancements, such as improving its margins, expanding its target segments, and improving supply chain efficiencies. It has already achieved excellent results from its "Gym lovers" and "Café lovers" segmentation initiatives, and expects to follow these up with similar moves to attract a younger demographic and enhance the "youth appeal" of the Fairwood brand. While there are no plans for major changes, the Group sees the coming months as an opportunity to exercise creativity in a bid to drive new business, attract new target groups, and further consolidate its dinner segment.

In the GBA, by contrast, the Group is expecting to continue expanding quite rapidly. It believes that Fairwood stands well-positioned for growth and increased profitability in its GBA operations, now that its Mainland business model is proving its worth and achieving its target goals. The reasons for this optimism include a strong and experienced PRC-based management team, a long brand history that is widely trusted by Mainland consumers, and a clear focus of its operations on the GBA. Additionally, the current relatively weak economic environment in the GBA is well suited to the Group's value proposition. Its GBA offerings nicely match an economic situation in which middle-income consumers are looking for good value but high quality dining experiences. The Group will therefore continue to open stores in the GBA in the months ahead as appropriate venues are located.

Overall, prospects for the coming months are good. The Group's strong financial position, excellent local and regional reputation, and ability to adapt and expand its customer base all count for much, especially in a market where value dining is a priority for many. As it continues to embrace digitalisation and update its Fairwood brand image, the Group is very well-positioned to expand its customer base, attract younger target segments, and further build profitability.

Financial Review

Liquidity and financial resources

As at 30 September 2023, total assets of the Group amounted to HK\$2,339.7 million (31 March 2023: HK\$2,302.5 million). The Group's net current liabilities were HK\$62.2 million (31 March 2023: net current liabilities of HK\$24.8 million), represented by total current assets of HK\$846.8 million (31 March 2023: HK\$792.4 million) against total current liabilities of HK\$909.0 million (31 March 2023: HK\$817.2 million) and the current ratio, being the proportion of total current assets against total current liabilities, was 0.9 (31 March 2023: 1.0). Total equity was HK\$658.3 million (31 March 2023: HK\$680.6 million).

Despite of net current liabilities, the financial position of the Group remained healthy with bank deposits and cash and cash equivalents totaled HK\$686.6 million (31 March 2023: HK\$646.8 million) which represented 81.1% (31 March 2023: 81.6%) of total current assets. The bank deposits and cash and cash equivalents increased by HK\$39.8 million represented an increase of 6.2% from 31 March 2023 balance. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi. As at 30 September 2023, the Group had no bank loan (31 March 2023: nil) and gearing ratio was 0.0% (31 March 2023: 0.0%), which was calculated based on the total bank loan over total equity. On the other hand, the Group also had available banking facilities amounted HK\$233.6 million (31 March 2023: HK\$260.0 million) not yet utilized.

The Group finances its business with internally generated cash flows and available banking facilities. During the period under review, the Group generated net cash from operating activities totaled HK\$311.7 million (2022: HK\$414.9 million). Together with the unutilized banking facilities, the Group have sufficient financial resources to meet its financial obligations in coming twelve months from 30 September 2023.

Profitability

Annualised return on average equity was 10.9% (year ended 31 March 2023: 6.4%), being profit for the period attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

Financial risk management

The Group is exposed to foreign currency risk primarily through other financial assets and bank deposits and cash and cash equivalents 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

As at the end of the reporting period, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK\$0.8 million (31 March 2023: HK\$0.8 million).

Commitments

As at 30 September 2023, the Group's outstanding capital commitments was HK\$56.6 million (31 March 2023: HK\$10.3 million).

Contingent liabilities

As at 30 September 2023, guarantees are given to banks by the Company in respect of mortgage loans and other banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the outstanding utilised facilities by all the subsidiaries that are covered by the guarantees, being HK\$85.3 million (31 March 2023: HK\$88.9 million).

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

Employee information

As at 30 September 2023, the total number of employees of the Group was approximately 5,600 (31 March 2023: 5,600). 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 employee. Also, the Group has committed to provide related training programme to improve the quality, competence and skills of all staff.

DIVIDEND

The Board declared an interim dividend of HK11.0 cents (2022: HK18.0 cents) per share for the six months ended 30 September 2023 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 15 December 2023. The declared dividend represented a distribution of approximately 39% (2022: 54%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Thursday, 28 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 14 December 2023 to Friday, 15 December 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim 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 Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 13 December 2023 for registration.

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

Throughout the six months ended 30 September 2023, 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 (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2023, save and except that the Chairman and the Managing Director (Chief Executive Officer) of the Company are not subject to retirement by rotation under the Bye-laws of the Company (the "Bye-laws").

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; however, the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-laws. The Board considers that the exemption of both the Chairman and the Managing Director (the Chief Executive Officer) of the Company from such retirement by rotation provisions would provide the Group with strong and consistent leadership, efficient use of resources, effective planning, formulation and implementation of long-term strategies and business plans. The Board believes that it would be in the best interest of the Company for such Directors to continue to be exempted from retirement by rotation provisions.

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 unaudited financial information and interim results for the six months ended 30 September 2023.

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 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 six months ended 30 September 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the respective websites of the Company (www.fairwoodholdings.com.hk) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2023 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.

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

Hong Kong, 29 November 2023

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, Mr Peter Wan Kam To and Mr Yip Cheuk Tak.*