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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 2024

HIGHLIGHTS

- Revenue decreased by 0.3% to HK\$1,553.5 million from HK\$1,558.0 million.
- Profit for the period attributable to equity shareholders of the Company were HK\$15.5 million (2023: HK\$36.3 million).
- The Group maintained a healthy financial position with bank deposits, cash and cash equivalents of HK\$595.8 million and no bank borrowings as at 30 September 2024.
- Basic earnings per share were HK11.98 cents (2023: HK28.03 cents).
- The Board of Directors declared an interim dividend of HK5.0 cents per share.

INTERIM RESULTS

The Board of Directors (the “Board”) of Fairwood Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2024 together with the comparative figures for the six months ended 30 September 2023. The interim financial results are unaudited, but have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024-UNAUDITED

		Six months ended	
		30 September	
		2024	2023
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	3	1,553,451	1,558,003
Cost of sales		<u>(1,436,946)</u>	<u>(1,411,495)</u>
Gross profit		116,505	146,508
Other revenue and other net gain	4	33,579	18,284
Selling expenses		(22,118)	(18,934)
Administrative expenses		(79,806)	(74,376)
Valuation gains (losses) on investment properties		1,270	(1,030)
Impairment losses on other property, plant and equipment	9	(4,835)	(4,679)
Impairment losses on right-of-use assets	9	<u>(10,083)</u>	<u>(6,312)</u>
Profit from operations		34,512	59,461
Finance costs	5(a)	<u>(16,738)</u>	<u>(16,052)</u>
Profit before taxation	5	17,774	43,409
Income tax expense	6	<u>(2,253)</u>	<u>(7,092)</u>
Profit for the period attributable to equity shareholders of the Company		<u>15,521</u>	<u>36,317</u>
Earnings per share	8		
Basic		<u>HK11.98 cents</u>	<u>HK28.03 cents</u>
Diluted		<u>HK11.98 cents</u>	<u>HK28.03 cents</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024-UNAUDITED

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to equity shareholders of the Company	15,521	36,317
Other comprehensive expense 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>(591)</u>	<u>(990)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>14,930</u>	<u>35,327</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2024-UNAUDITED

		At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Investment properties		23,510	22,240
Other property, plant and equipment		469,010	396,593
Right-of-use assets		<u>917,649</u>	<u>970,574</u>
		1,410,169	1,389,407
Goodwill		1,001	1,001
Rental deposits paid		67,301	60,302
Deferred tax assets		<u>593</u>	<u>703</u>
		<u>1,479,064</u>	<u>1,451,413</u>
Current assets			
Inventories		57,964	52,651
Trade and other receivables	10	117,318	102,725
Current tax recoverable		52	39
Bank deposits and cash and cash equivalents		<u>595,792</u>	<u>640,983</u>
		<u>771,126</u>	<u>796,398</u>
Current liabilities			
Trade and other payables	11	484,060	433,920
Lease liabilities		372,105	389,911
Dividend payable		39,952	1,089
Current tax payable		6,638	6,214
Provisions	12	24,241	26,601
Long service payment obligation	13	<u>695</u>	<u>608</u>
		<u>927,691</u>	<u>858,343</u>
Net current liabilities		<u>(156,565)</u>	<u>(61,945)</u>
Total assets less current liabilities		<u>1,322,499</u>	<u>1,389,468</u>

		At 30 September 2024	At 31 March 2024
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		604,944	652,270
Deferred tax liabilities		216	117
Rental deposits received		1,677	1,798
Provisions	<i>12</i>	48,023	46,636
Long service payment obligation	<i>13</i>	30,339	28,242
		<u>685,199</u>	<u>729,063</u>
NET ASSETS		<u>637,300</u>	<u>660,405</u>
Capital and reserves			
Share capital		129,553	129,553
Reserves		<u>507,747</u>	<u>530,852</u>
TOTAL EQUITY		<u>637,300</u>	<u>660,405</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 HKICPA.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in note 2.

As at 30 September 2024, the Group’s total current assets were HK\$771,126,000 (31 March 2024: HK\$796,398,000) and total current liabilities were HK\$927,691,000 (31 March 2024: HK\$858,343,000). As a result, the Group recorded net current liabilities of \$156,565,000 (31 March 2024: \$61,945,000) mainly due to lease liabilities of \$372,105,000 (31 March 2024: \$389,911,000) recognised under current liabilities.

Despite the net current liabilities as at 30 September 2024, the Group’s bank deposits and cash and cash equivalents amounted to HK\$595,792,000 (31 March 2024: HK\$640,983,000) on the same day and the Group reported a profit before taxation of HK\$17,774,000 (2023: HK\$43,409,000) and recorded net cash generated from operating activities of HK\$306,636,000 (2023: HK\$311,722,000) during the six months ended 30 September 2024. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 September 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 30 September 2024. 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 2024 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 2024 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 2024 are available from the Company’s head office and principal place of business. The auditor has expressed an unqualified opinion on those financial statements in their report dated 28 June 2024.

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. The Directors of the Company anticipate that the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements. 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:

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Sale of food and beverages at a point in time	1,550,241	1,555,581
Property rental	3,210	2,422
	<u>1,553,451</u>	<u>1,558,003</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 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*

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	
	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	1,459,438	1,460,769	90,803	94,812	3,210	2,422	1,553,451	1,558,003
Inter-segment revenue	-	-	-	-	174	892	174	892
Reportable segment revenue	<u>1,459,438</u>	<u>1,460,769</u>	<u>90,803</u>	<u>94,812</u>	<u>3,384</u>	<u>3,314</u>	<u>1,553,625</u>	<u>1,558,895</u>
Reportable segment profit	<u>26,065</u>	<u>50,515</u>	<u>937</u>	<u>477</u>	<u>4,420</u>	<u>4,438</u>	<u>31,422</u>	<u>55,430</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	
	2024 HK\$'000	2023 HK\$'000
Profit		
Reportable segment profit before taxation	31,422	55,430
Valuation gains (losses) on investment properties	1,270	(1,030)
Impairment losses on other property, plant and equipment	(4,835)	(4,679)
Impairment losses on right-of-use assets	<u>(10,083)</u>	<u>(6,312)</u>
Consolidated profit before taxation	<u>17,774</u>	<u>43,409</u>

4 OTHER REVENUE AND OTHER NET GAIN

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other revenue		
Interest income	13,241	13,516
Government grants	<u>–</u>	<u>1,029</u>
	<u>13,241</u>	<u>14,545</u>
Other net gain		
Net loss on disposal of other property, plant and equipment	(2,323)	(4,786)
Net foreign exchange loss	(581)	(1,211)
Electric and gas range incentives	2,773	2,455
Profit on sale of redemption gifts	1,810	314
Gain on lease modifications	15,571	4,810
Others	<u>3,088</u>	<u>2,157</u>
	<u>20,338</u>	<u>3,739</u>
	<u>33,579</u>	<u>18,284</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs		
Interest expense on lease liabilities	16,647	16,052
Interest expenses on bank borrowings	91	–
	<u>16,738</u>	<u>16,052</u>
(b) Other items		
Cost of inventories (<i>Note (i)</i>)	371,201	384,488
Depreciation charge		
– other property, plant and equipment	51,493	46,534
– right-of-use assets	210,020	197,452
Auditor's remuneration	978	2,040
Expenses relating to short-term leases	13,897	10,041
Variable lease payments not included in the measurement of lease liabilities	2,128	3,185
Building management fee & air-conditioning	44,658	42,667
Electricity, water and gas	95,138	92,269
Logistics expenses	31,517	35,575
Repair and maintenance	22,236	22,710
Sanitation	25,024	24,416
Cost of subsequent replacement of cutlery and utensils	4,407	5,441
Staff costs	563,227	540,343
Equity-settled share-based payment expenses	831	678
Other expenses	79,997	78,032
	<u>1,516,752</u>	<u>1,485,871</u>
Representing:		
Cost of sales	1,436,946	1,411,495
Administrative expenses	79,806	74,376
	<u>1,516,752</u>	<u>1,485,871</u>

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

6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	2,044	7,884
Deferred tax		
Origination and reversal of temporary differences	<u>209</u>	<u>(792)</u>
	<u>2,253</u>	<u>7,092</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the six months ended 30 September 2024, 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 2023/2024.

No provision has been made for the People's Republic of China corporate income tax for the six months ended 30 September 2024 and 2023, 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and payable after the interim period of HK5.0 cents (2023: HK11.0 cents) per share	<u>6,478</u>	<u>14,251</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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year ended 31 March 2024, approved and payable during the following interim period, of HK30.0 cents (year ended 31 March 2023: HK40.0 cents) per share	38,866	51,821
Special final dividend in respect of the previous financial year ended 31 March 2024, approved and payable during the following interim period, of nil (year ended 31 March 2023: HK5.0 cents) per share	<u>—</u>	<u>6,477</u>
	<u>38,866</u>	<u>58,298</u>

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2024 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$15,521,000 (2023: HK\$36,317,000) and the weighted average number of ordinary shares of 129,553,000 shares (2023: 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 2024 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$15,521,000 (2023: HK\$36,317,000) and the weighted average number of ordinary shares of 129,553,000 shares (2023: 129,553,000 shares) in issue during the period. The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for the period ended 30 September 2024 and 2023.

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

During the six months ended 30 September 2024, the Group's management identified certain individual restaurants, each as a cash-generating unit for impairment assessment purpose, which under-performed 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\$10,083,000 (six months ended 30 September 2023: HK\$6,312,000) and HK\$4,835,000 (six months ended 30 September 2023: HK\$4,679,000) 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 15.5% (six months ended 30 September 2023: 15.0%).

10 TRADE AND OTHER RECEIVABLES

	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
Trade debtors, net of loss allowance	9,384	20,460
Other receivables	20,175	14,766
Rental and utility deposits paid	54,632	47,806
Prepayments	33,127	19,693
	<u>117,318</u>	<u>102,725</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 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
1 to 30 days	8,744	20,130
31 to 90 days	511	302
91 to 180 days	79	25
181 to 365 days	50	3
	<u>9,384</u>	<u>20,460</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 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
Creditors and accrued expenses	456,905	412,200
Contract liabilities	7,936	5,514
Other payables and deferred income	19,017	16,004
Rental deposits received	202	202
	<u>484,060</u>	<u>433,920</u>

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

	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
1 to 30 days	132,885	128,020
31 to 90 days	10,029	421
91 to 180 days	542	154
181 to 365 days	105	32
Over one year	<u>220</u>	<u>190</u>
	<u>143,781</u>	<u>128,817</u>
 12 PROVISIONS		
	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
Provision for reinstatement costs for rented premises	72,264	73,237
Less: Amount included under “current liabilities”	<u>(24,241)</u>	<u>(26,601)</u>
Amount included under “non-current liabilities”	<u>48,023</u>	<u>46,636</u>
 13 LONG SERVICE PAYMENT OBLIGATION		
	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
Long service payment obligation	31,034	28,850
Less: Amount included under “current liabilities”	<u>(695)</u>	<u>(608)</u>
Amount included under “non-current liabilities”	<u>30,339</u>	<u>28,242</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall performance

The Group's revenue for the six months ended 30 September 2024 decreased by 0.3% to HK\$1,553.5 million (2023: HK\$1,558.0 million). Gross profit margin decreased to 7.5% (2023: 9.4%). Profit for the period attributable to equity shareholders of the Company was HK\$15.5 million (2023: HK\$36.3 million). Basic earnings per share were HK11.98 cents, compared to HK28.03 cents for the corresponding period in 2023.

Business review

Overview

The retail and F&B sectors in Hong Kong have faced challenges in the period, arising not only from an overall drop in consumer spending but also from the changing leisure habits of many Hong Kong people. There has been a significant rise in the number of locals making short-stay trips to locations outside Hong Kong for shopping and dining, especially Shenzhen and the Greater Bay Area ("GBA"), and particularly on weekends. The ease of travel from Hong Kong and the higher spending power of Hong Kong consumers in these destinations suggests that this is a trend that is likely to continue in the foreseeable future.

The Group identified this structural shift in Hong Kong consumer behaviour earlier in the year, and in the period under review has been developing strategies to address the impact of a weaker economy and an increasingly more mobile population that will raise customer head counts and enhance its profit margins. The Group's half-year performance has reflected the contribution of this drive, with its performance gradually improving and gaining momentum as new initiatives have been launched across the past six months.

To address the macro trends outlined above, the Group has placed a strong focus on four key areas of its operations. One has been a fresh look at the high-potential dinner market, which represents a major growth area for Fairwood as diners 'trade down' in a negative economic environment. Another has seen the Group broaden the range of 'value' meals it offers, in response to a growing spike in budget-conscious diners. Steps have also been taken to expand the appeal of Fairwood to high-potential target groups, including prestige niche sectors such as gym enthusiasts, and to younger diners more generally. Finally, it has worked hard to reinforce its social connection with the Hong Kong community, especially through a major new soft food meals initiative for the elderly and those with swallowing issues.

To capture more diners, especially for the dinner segment, the Group has added multiple new dishes and meal combinations to its menus in the period. In particular, it has offered several new higher-end dinner combinations not normally associated with fast-food restaurants, such as steamed garlic shrimp and braised sea bass dishes. At the same time it has been expanding the range and variety of its existing popular dishes, including its Japanese series, Vietnamese Delicacies, and Hong Kong Style Sizzling Plate. These are moves that are helping drive customer visits and increase the average spend. They are also attracting diners who are looking to trade down their evening dining choices but who do not want to forfeit tasty, interesting and good quality dining options.

Similar positive results have been achieved by increasing the range of high-quality 'home style' dinner dishes offered by the Group, dishes that are normally associated with time-consuming preparation at home. Success stories here have included its double-boiled soup with stir-fried dishes for in-store dining, and its highly popular takeaway chicken option, available since September, which has generated exceptional sales. Alongside this, the Group has increased the range of its value offers for those on tight budgets, not only increasing the combinations of dishes available in this category, but also expanding its value offers into new dayparts such as afternoon tea.

The Group's well-established GYM Lovers promotions have been extended further, with new sponsorships and KOL collaborations being launched that have increased the brand's profile among this influential segment, expanding Fairwood's positive associations with health, fitness and wellness. It has also continued to appeal to a younger demographic by tapping into popular café culture, making its tea sets more sophisticated and expanding their variety by introducing several new delicious specialty breads.

Membership of the Fairwood App has continued to soar, with the number of members at period-end standing at over 920,000. As membership has grown, the app has become an increasingly important and influential promotional tool, through which the Group is able to disseminate both one-off promotions (such as a popular Olympics special in August) and regular special offers and promotions, including flash weekend promotions, regular monthly offers, and GYM welcome offers.

The Group continued to fine-tune its back-end cost management initiatives throughout the period. Its digitalisation drive, which is reducing labour costs and improving the customer experience, was extended to more stores across its network, as it continued the gradual roll-out of its Kitchen Management System, Digital Menu Boards, Mobile Ordering Systems, and kiosks for self-serve ordering at stores. It has also kept its food costs under tight control, optimising its menus, expanding its vendor base and pursuing sourcing options such as the direct import of key ingredients. In the current muted market, rents have been falling and the Group has negotiated good rental deals for upcoming lease renewals, the positive impact of which will be seen in the second half. Labour costs offer least scope for mitigation given the labour shortage in Hong Kong, but the Group has been continuing to optimise its labour resources and streamline its workflows for greater efficiency.

Community connections have always been a part of the Fairwood DNA, and over the years the Group has spearheaded many initiatives for the elderly in particular. This community focus has been further bolstered by a major new initiative launched just after the end of the period – a series of ‘soft food meals’ introduced by the Group at the beginning of October following two years of intensive research and preparation. Aimed at the elderly and others who have difficulty chewing and swallowing, these attractive, easy to eat, nutritious and varied meals all comply with the Guideline of Care Food and the International Dysphagia Diet Standardisation Initiative Level 4 standard, and comply fully with HACCP food safety standards.

The initiative is a first for a fast-food restaurant chain in Hong Kong. It marks an important step forward for the Group, and one with much potential for further growth. It has also reinforced the Fairwood reputation for community care, not least through enthusiastic media coverage that is estimated to be worth over HK\$6 million. As part of the roll-out process, mobile assessment counters have been set up at relevant stores at which customers can gain advice from professional speech therapists on their chewing and swallowing needs.

Elsewhere, the Group continued its Fairwood Care for Senior Card membership programme, which regularly offers special promotions to elderly members. The number of members had topped 530,000 by the end of the period. The Group also pushed on with its Fairwood Care for Community programme, which saw the Heartwarming Food Donation programme conducted five times in the period, taking meals and daily necessities to those in need. Seven Joyous Meal for Seniors events were also held under the programme, offering elders who live alone an opportunity to meet and socialise over a meal. Alongside this, various sustainability initiatives, including the repurposing of coffee grounds and lemon rinds, and the sugar pack reuse programme, were installed to encourage good habits of recycling and reuse.

Hong Kong

As at 30 September 2024, the Group was operating 149 Fairwood restaurants across Hong Kong. It also operated a small group of 10 specialty higher-end restaurants under the brand names ASAP (3), Taiwan Bowl (3), and The Leaf Kitchen (3), as well as a single new brand Ombra, an Italian-style restaurant located in Wong Chuk Hang that was launched in the period. These specialty restaurants all performed solidly over the period.

Mainland China

In the GBA of China, the Group was operating 23 Fairwood fast food restaurants at period end. These restaurants are run under localised management and are tailored to cater for the expectations of Mainland consumers; they have a greater focus on takeaway food, and include various local product innovations targeting local tastes. A new store design was being trialled in one store in the period that aims at appealing to a younger demographic. To date the feedback received has been very positive, and the design is expected to be extended to other stores in the second half and beyond. The Group’s GBA operations remain constrained by a very muted economic atmosphere in the Mainland, with consumer sentiment remaining weak and confidence yet to pick up. This has slowed the development of its Mainland operations, but the Group remains confident that they are on track for a strong performance in the longer term.

Prospects

The Group believes that Hong Kong's F&B sector faces long-term structural adjustments, given the recent changes in spending and travel habits evident among Hong Kong consumers. Already in 2024, considerable fragmentation of the sector has been evident, which is expected to continue. As a well-recognised brand with wide market coverage, Fairwood is visibly separated from this fragmentation process; more importantly, it believes it can directly benefit from it. In the period, it identified several initiatives that have enabled it to tap directly into this changing F&B landscape and grow its operations. Many of these have already begun to reap strong positive results.

Particular opportunities for growth are expected to come from customers who are trading down in their dining habits in the face of economic pressures. The Group has stepped up its efforts to associate Fairwood with interesting, good quality affordable meals, especially for the dinner segment, many of which are breaking free of traditional 'fast food' associations. As noted, the initiatives described above have begun to achieve good results in the past couple of months, which are expected to continue.

The Group's major new soft food meals initiative also has significant scope for development in the future. What is more, community-focused initiatives like this – and the major investment Fairwood is prepared to devote to them – are further reinforcing the Group's reputation as innovative, community-focused and socially responsible.

Despite the slight dip in revenue reported for the period, the Group is confident that its positioning in the community, its prudent management and its innovative and responsive initiatives offer ample optimism for the future. Some major steps forward have been made in the period in reinforcing the Group's commitment to diversity, community and value, three key characteristics that have already contributed to its longevity and reputation.

More and more, the Group has been reaching out to multiple segments of the community, from the elderly to young people, from the budget-conscious to those embracing health and fitness, through initiatives that send the message that Fairwood is there for everyone, and offers something for all. As a brand rooted and grounded in Hong Kong, this positive message of inclusivity, of catering to multiple market segments, tastes and needs, will continue to drive the Group's development directions as it continues to invest with an eye on its long-term future as an integral part of this city.

Financial Review

Liquidity and financial resources

As at 30 September 2024, total assets of the Group amounted to HK\$2,250.2 million (31 March 2024: HK\$2,247.8 million). The Group's net current liabilities were HK\$156.6 million (31 March 2024: net current liabilities of HK\$61.9 million), represented by total current assets of HK\$771.1 million (31 March 2024: HK\$796.4 million) against total current liabilities of HK\$927.7 million (31 March 2024: HK\$858.3 million) and the current ratio, being the proportion of total current assets against total current liabilities, was 0.8 (31 March 2024: 0.9). Total equity was HK\$637.3 million (31 March 2024: HK\$660.4 million).

Despite of net current liabilities, the financial position of the Group remained healthy with bank deposits and cash and cash equivalents totaled HK\$595.8 million (31 March 2024: HK\$641.0 million) which represented 77.3% (31 March 2024: 80.5%) of total current assets. The bank deposits and cash and cash equivalents decreased by HK\$45.2 million represented a decrease of 7.1% from 31 March 2024 balance. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi. As at 30 September 2024, the Group had no bank loan (31 March 2024: nil) and gearing ratio was 0.0% (31 March 2024: 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\$193.9 million (31 March 2024: HK\$231.3 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\$306.6 million (2023: HK\$311.7 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 2024.

Profitability

Annualised return on average equity was 4.8% (31 March 2024: 7.6%), 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 and the related foreign exchange risk has not been hedged.

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\$0.7 million (31 March 2024: HK\$0.7 million).

Commitments

As at 30 September 2024, the Group's outstanding capital commitments was HK\$30.8 million (31 March 2024: HK\$24.3 million).

Contingent liabilities

As at 30 September 2024, 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\$87.2 million (31 March 2024: HK\$87.7 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 2024, the total number of employees of the Group was approximately 5,600 (31 March 2024: 5,700). 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 (such as on-the-job training, in-house seminar and training sponsorship) to improve the quality, competence and skills of all staff.

DIVIDEND

The Board has declared an interim dividend of HK5.0 cents (2023: HK11.0 cents) per share for the six months ended 30 September 2024 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 17 December 2024. The declared dividend represented a distribution of approximately 42% (2023: 39%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Tuesday, 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 16 December 2024 to Tuesday, 17 December 2024 (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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 13 December 2024 for registration.

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

Throughout the six months ended 30 September 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules), if any).

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 of the Listing Rules throughout the six months ended 30 September 2024, 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 2024.

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 six months ended 30 September 2024.

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 2024 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 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.