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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 2021**

#### **HIGHLIGHTS**

- Revenue increased by 16.4% to HK\$1,498.6 million, delivering significant sales growth since the outbreak of the COVID-19 pandemic.
- Profit for the period decreased to HK\$52.5 million from HK\$65.0 million, representing a drop of 19.2%.
- Excluding subsidies from government grants and the employment support scheme, the result has turned around, compared to the same period last year, demonstrating strong resilience against adversity.
- The Group maintained a healthy financial position with bank deposits, cash and cash equivalents of HK\$723.4 million as at 30 September 2021.
- Basic earnings per share were HK40.52 cents, decreasing by 19.2%.
- The Board of Directors declared an interim dividend of HK25.0 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 2021 together with the comparative figures for the six months ended 30 September 2020. 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 2021-UNAUDITED

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>1,498,604</b>	1,286,985
Cost of sales		<u>(1,341,322)</u>	<u>(1,115,704)</u>
<b>Gross profit</b>		<b>157,282</b>	171,281
Other revenue	4	<b>5,661</b>	23,464
Other net gain/(loss)	4	<b>6,001</b>	(710)
Selling expenses		<b>(15,722)</b>	(14,534)
Administrative expenses		<b>(63,822)</b>	(54,809)
Valuation losses on investment properties		<b>(1,110)</b>	(3,500)
Impairment losses on other property, plant and equipment	10	<b>(2,401)</b>	(18,260)
Impairment losses on right-of-use assets	10	<u>(3,939)</u>	<u>(29,259)</u>
<b>Profit from operations</b>		<b>81,950</b>	73,673
Finance costs	5(a)	<u>(16,044)</u>	<u>(19,295)</u>
<b>Profit before taxation</b>	5	<b>65,906</b>	54,378
Income tax (expense)/credit	6	<u>(13,413)</u>	<u>10,573</u>
<b>Profit for the period attributable to equity shareholders of the Company</b>		<u><b>52,493</b></u>	<u>64,951</u>
<b>Earnings per share</b>	8		
Basic		<u><b>HK40.52 cents</b></u>	<u>HK50.14 cents</u>
Diluted		<u><b>HK40.52 cents</b></u>	<u>HK50.14 cents</u>

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

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021-UNAUDITED*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period attributable to equity shareholders of the Company</b>	<b>52,493</b>	64,951
<b>Other comprehensive income for the period (after tax):</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	<u>202</u>	<u>2,283</u>
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b><u>52,695</u></b>	<b><u>67,234</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2021-UNAUDITED**

		At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Investment properties		28,720	29,830
Other property, plant and equipment		408,073	424,866
Right-of-use assets		<u>1,014,308</u>	<u>1,110,609</u>
		<b>1,451,101</b>	1,565,305
Lease receivables		1,696	2,768
Goodwill		1,001	1,001
Rental deposits paid		70,765	72,737
Deferred tax assets		<u>35</u>	<u>3,935</u>
		<u>1,524,598</u>	<u>1,645,746</u>
<b>Current assets</b>			
Inventories		49,587	46,008
Trade and other receivables	11	109,244	99,764
Other financial assets	9	12,202	16,745
Current tax recoverable		7,794	17,633
Bank deposits and cash and cash equivalents		<u>723,432</u>	<u>622,143</u>
		<u>902,259</u>	<u>802,293</u>
<b>Current liabilities</b>			
Trade and other payables	12	397,082	359,778
Lease liabilities		409,824	433,320
Dividends payable		77,732	–
Current tax payable		121	20
Provisions	13	<u>19,849</u>	<u>18,784</u>
		<u>904,608</u>	<u>811,902</u>
<b>Net current liabilities</b>		<u>(2,349)</u>	<u>(9,609)</u>
<b>Total assets less current liabilities</b>		<u>1,522,249</u>	<u>1,636,137</u>

		At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Lease liabilities		698,783	785,222
Deferred tax liabilities		1,348	1,795
Rental deposits received		1,755	1,768
Provisions	13	<u>66,170</u>	<u>69,516</u>
		<u>768,056</u>	<u>858,301</u>
<b>NET ASSETS</b>			
		<u>754,193</u>	<u>777,836</u>
<b>Capital and reserves</b>			
Share capital		129,553	129,533
Reserves		<u>624,640</u>	<u>648,303</u>
<b>TOTAL EQUITY</b>			
		<u>754,193</u>	<u>777,836</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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

As at 30 September 2021, the Group’s total current assets were HK\$902,259,000 (31 March 2021: HK\$802,293,000) and total current liabilities were HK\$904,608,000 (31 March 2021: HK\$811,902,000).

Despite the net current liabilities as at 30 September 2021, the Group’s bank deposits and cash and cash equivalents amounted to HK\$723,432,000 (31 March 2021: HK\$622,143,000) on the same day and the Group reported a profit before tax of HK\$65,906,000 (2020: HK\$54,378,000) and recorded net cash generated from operating activities of HK\$358,089,000 (2020: HK\$342,947,000) during the six months ended 30 September 2021. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 September 2021, the directors are of the opinion that anticipated cash flows generated from the Group’s operations can strengthen the Group’s financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 September 2021. 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 2021 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 2021 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 2021 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 29 June 2021.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of food and beverages at a point in time	<b>1,497,207</b>	1,283,959
Property rental	<u><b>1,397</b></u>	<u>3,026</u>
	<u><b>1,498,604</b></u>	<u>1,286,985</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	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,427,194	1,235,507	70,013	48,452	1,397	3,026	1,498,604	1,286,985
Inter-segment revenue	-	-	-	-	1,883	1,260	1,883	1,260
Reportable segment revenue	<u>1,427,194</u>	<u>1,235,507</u>	<u>70,013</u>	<u>48,452</u>	<u>3,280</u>	<u>4,286</u>	<u>1,500,487</u>	<u>1,288,245</u>
Reportable segment profit/(loss)	<u>78,653</u>	<u>114,383</u>	<u>(7,083)</u>	<u>(12,229)</u>	<u>1,786</u>	<u>3,243</u>	<u>73,356</u>	<u>105,397</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	
	2021	2020
	HK\$'000	HK\$'000
<b>Profit</b>		
Reportable segment profit before taxation	73,356	105,397
Valuation losses on investment properties	(1,110)	(3,500)
Impairment losses on other property, plant and equipment	(2,401)	(18,260)
Impairment losses on right-of-use assets	<u>(3,939)</u>	<u>(29,259)</u>
Consolidated profit before taxation	<u>65,906</u>	<u>54,378</u>



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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
<b>Other revenue</b>		
Interest income	1,777	2,578
Government grants ( <i>Note</i> )	<u>3,884</u>	<u>20,886</u>
	<u><b>5,661</b></u>	<u>23,464</u>
<b>Other net gain/(loss)</b>		
Electric and gas range incentives	2,840	2,476
Profit on sale of redemption gifts	427	436
Net foreign exchange gain	611	784
Net loss on disposal of other property, plant and equipment	(2,264)	(7,002)
Others	<u>4,387</u>	<u>2,596</u>
	<u><b>6,001</b></u>	<u>(710)</u>

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

#### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
<b>(a) Finance costs</b>		
Interest expense on lease liabilities	<u>16,044</u>	<u>19,295</u>
<b>(b) Other items</b>		
Cost of inventories ( <i>Note (i)</i> )	374,447	316,280
Depreciation		
– other property, plant and equipment	47,402	51,607
– right-of-use assets	201,364	230,231
Staff costs ( <i>Note (ii)</i> )	500,462	325,050
Equity-settled share-based payment expenses	<u>1,057</u>	<u>757</u>

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

*Note (ii):* The amount during the six months ended 30 September 2020 was net of employment support scheme subsidies from HKSAR Government of HK\$122,031,000 (six months ended 30 September 2021: HK\$nil).

## 6 INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	9,994	37
Over-provision in respect of prior years	<u>(34)</u>	<u>(1,699)</u>
	9,960	(1,662)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>3,453</u>	<u>(8,911)</u>
	<u><b>13,413</b></u>	<u><b>(10,573)</b></u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 September 2021, 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 2020.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2021 and 2020, as the Group's Mainland China operations sustained a loss for taxation purpose.

## 7 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend declared and payable after the interim period of HK25.0 cents (2020: HK30.0 cents) per share	<u><b>32,388</b></u>	<u>38,860</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**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the previous financial year ended 31 March 2021, approved and payable during the following interim period, of HK60.0 cents (year ended 31 March 2020: HK50.0 cents) per share	<u><b>77,732</b></u>	<u><b>64,767</b></u>

In respect of the dividend for the year ended 31 March 2021, there is a difference of HK\$12,000 (year ended 31 March 2020: HK\$nil) between the final dividend disclosed in the 2021 annual financial statements and amounts approved and payable during the period. The difference represented dividends attributable to new shares issued upon the exercise of share options, before the closing date of the Register of Members.

**8 EARNINGS PER SHARE**

**(a) Basic earnings per share**

The calculation of basic earnings per share for the six months ended 30 September 2021 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$52,493,000 (2020: HK\$64,951,000) and the weighted average number of ordinary shares of 129,547,000 shares (2020: 129,533,000 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 2021 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$52,493,000 (2020: HK\$64,951,000) and the weighted average number of ordinary shares of 129,547,000 shares (2020: 129,533,000 shares), calculated as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>129,547</b>	129,533
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><b>129,547</b></u>	<u><b>129,533</b></u>

## 9 OTHER FINANCIAL ASSETS

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Debt securities at amortised cost		
– Unlisted but quoted	<u>12,202</u>	<u>16,745</u>

The current debt security as at 30 September 2021 represented medium term note issued by a financial institution in Hong Kong, denominated in Renminbi, bears interest at a rate of 4.5% per annum with maturity date of 20 November 2021.

The current debt securities as at 31 March 2021 represented medium term notes (a) issued by a financial institution in Luxembourg, denominated in United States dollars, bore interest at a rate of 2.3% per annum with maturity date of 12 July 2021; and (b) issued by a financial institution in Hong Kong, denominated in Renminbi, bore interest at a rate of 4.5% per annum with maturity date of 20 November 2021.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2021 and 31 March 2021.

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

During the six months ended 30 September 2021, 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\$3,939,000 (six months ended 30 September 2020: HK\$29,259,000) and HK\$2,401,000 (six months ended 30 September 2020: HK\$18,260,000) 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 2020: 13%).

## 11 TRADE AND OTHER RECEIVABLES

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Trade debtors, net of loss allowance	9,669	6,064
Other debtors	17,062	22,111
Rental and utility deposits paid	54,153	50,770
Lease receivables	2,239	2,239
Prepayments	<u>26,121</u>	<u>18,580</u>
	<u>109,244</u>	<u>99,764</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 <b>30 September</b> <b>2021</b> <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
1 to 30 days	9,261	4,693
31 to 90 days	388	1,254
91 to 180 days	20	56
181 to 365 days	—	61
	<u>9,669</u>	<u>6,064</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.

## 12 TRADE AND OTHER PAYABLES

	At <b>30 September</b> <b>2021</b> <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
Creditors and accrued expenses	364,984	326,634
Contract liabilities	7,074	10,587
Other payables and deferred income	24,806	22,353
Rental deposits received	218	204
	<u>397,082</u>	<u>359,778</u>

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

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
1 to 30 days	121,507	106,975
31 to 90 days	10,164	68
91 to 180 days	226	528
181 to 365 days	130	62
Over one year	<u>184</u>	<u>196</u>
	<u><b>132,211</b></u>	<u><b>107,829</b></u>

### 13 PROVISIONS

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
Provision for long service payments	20,209	22,073
Provision for reinstatement costs for rented premises	<u>65,810</u>	<u>66,227</u>
	86,019	88,300
Less: Amount included under “current liabilities”	<u>(19,849)</u>	<u>(18,784)</u>
	<u><b>66,170</b></u>	<u><b>69,516</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall performance

The Group's revenue for the period ended 30 September 2021 increased by 16.4% to HK\$1,498.6 million (2020: HK\$1,287.0 million). Gross profit margin decreased to 10.5% (2020: 13.3%). Profit attributable to equity shareholders decreased by 19.2% to HK\$52.5 million (2020: HK\$65.0 million). Excluding the government grants of HK\$3.9 million (2020: HK\$20.9 million), employment support scheme of HK\$nil (2020: HK\$122.0 million) and the impairment losses on other property, plant and equipment and right-of-use assets of HK\$6.3 million (2020: HK\$47.6 million), profit for the period was HK\$54.9 million, compared to a loss of HK\$30.3 million for the same period last year. Basic earnings per share were HK40.52 cents compared to HK50.14 cents for the corresponding period in 2020.

### Business review

#### Significant recovery and steady growth

During the period under review, Fairwood responded successfully to the pandemic and delivered positive growth despite the challenges of a post-COVID environment. Total sales and customer volumes both rose considerably by comparison with the previous period, taking Fairwood back to pre-pandemic levels and reversing the drop in sales recorded last year. Although the HK\$142.9 million in Government pandemic support received last year fell in the current period to just HK\$3.9 million, Fairwood still managed to deliver a satisfactory bottom-line profit.

To lift Fairwood's performance to pre-pandemic levels, we placed special emphasis on the first part of our Fairwood slogan, 'Enjoy Great Food', by expanding and improving our menu selections to match customer demand and attract new customers. Despite tough operational challenges, we added several local 'street food' items to our tea menus that proved immediately popular. We also launched a series of popular dishes based on Asian dining favourites for diners unable to travel to their favourite culinary destinations. Our signature Ah Wood series was revamped to add extra flavour and value, reinforcing our commitment to delivering truly 'great food'. To expand our appeal to young people, we revamped our in-store meals for school students and added a range of student discounts and free gifts themed around annual school events. In September, we launched a very popular new Value Campaign offering high quality meal sets at excellent prices.

The Group acquires a bakery line this year, and now produces most of its bakery products in-house. The result has been very positive, with many customers commenting on the noticeable improvements in flavour, aroma and texture in Fairwood's bread products. The bakery has enabled us to expand the range of sandwich and toast products on the menu, and created new strategic product opportunities benefiting customers and shareholders.

Fairwood's "Click-and-Collect" service, first introduced in August 2020, went from strength to strength over the year. The percentage of takeaway sales is now significant, and continued to increase over the period under review. Sales were further boosted by a revamp of the "Click-and-Collect" platform, making it easier for customers to order online. Alongside this, we launched a loyalty programme for "Click-and-Collect" customers that attracted over 100,000 members in just a month of operation. Over the period, we researched customers' takeaway habits and preferences and adjusted our takeaway menus accordingly, leading to smooth and steady sales growth. Our "Click-and-Collect" service also works in conjunction with food delivery service provider foodpanda, which has significantly expanded its scope to cover almost all districts in Hong Kong in April.

The Group continued with its digitalisation efforts in the period, aimed at enhancing efficiency, improving customer experience, and raising staff service levels. We have begun to roll out new digital menu display boards in stores to replace old manually operated ones, creating a more stylish look and making it easier to update menu options and prices. Online training programmes have been introduced for frontline cashiers, helping them deal more confidently with new in-store situations and COVID-19 related queries. A new Kitchen Management System has also been introduced that is helping streamline the food preparation workflow, improve efficiency, and shorten customer queues.

In embracing the digital era, Fairwood has also begun to leverage the power of social media. During the period we trialled our first social media campaign to reach younger customers, with great success. The innovative campaign offered a free Ah Wood meal to anyone bringing in a competitor's receipt for the same dish. The campaign quickly went viral, generating 650,000 views and 100,000 interactions within a short two-week period, and bringing many new customers in store for the first time. Social media is also being utilised for the Group's specialty restaurants to help define and shape their brand appeal. For example, the new Instagram account for Taiwan Bowl adopts a fun visual style that has generated a lot of interactions and strong brand engagement.

Attracting and retaining staff, especially high quality chefs and kitchen staff, has been a challenge for our industry in recent years. Fairwood has addressed this problem by ensuring its salaries are highly competitive, that there are attractive incentive measures in place to retain staff, and that the Fairwood workplace environment is a warm, friendly place to work in. In addition, we have defined clear staff career tracks, and are continuing to provide staff with multiple opportunities for training and development, especially by increasing our online training programmes to give staff greater learning flexibility.

### ***Hong Kong***

In Hong Kong, Fairwood's focus for the period was on stabilisation and recovery, with the measures described above. One new Fairwood store was opened in the period, in Shatin. Meanwhile, our specialty restaurants enjoyed a generally stable performance in the period, with Taiwan Bowl proving especially resilient and generating strong takeaway sales. One new Taiwan Bowl restaurant was opened in the period, in Lok Fu, and this new store introduced features that will be gradually expanded to the other outlets. They included enhanced menu options with a wider range of snacks, drink and desserts, and the enabling of mobile ordering from tables.



Our community service initiatives in Hong Kong were constrained by social distancing requirements, but we continued to promote our “Care for Senior Cards”, for example offering double discounts when using the card on occasions such as Father’s Day. The number of “Care for Senior Cards” members has continued to grow, reaching 280,000 in the period. As for the Fairwood Give Warmth Campaign, this will be extended from October when the Group will work with selected NGOs on donations of meal boxes to the elderly, as well as organising special meal gatherings at its restaurants for elderly people living on their own.

### ***Mainland China***

In Mainland China, recovery at Fairwood stores was slower than in Hong Kong. The absence of cross-border travel led to lower customer flow at the Fairwood stores in Lo Wu and Shenzhen, while lockdowns in Guangzhou in June also disrupted sales on occasions. However, the restructuring of our Mainland China operations and the localisation of the management has now been completed, and prospects are promising. Only one new store was opened in Mainland China during the period, but a further of six to seven stores are scheduled for opening later in the year. A new POS system that has been adopted in Mainland China has allowed seamless integration with local online ordering and delivery platforms, and has enabled a new membership scheme to be launched.

### **Network**

In the period under review, the Group opened three new Fairwood stores, made up of two in Hong Kong and one in Mainland China. As of 30 September 2021, the Group had a total of 155 stores in Hong Kong, including 143 fast food stores and 12 specialty restaurants — three ASAP, four Taiwan Bowl, four The Leaf Kitchen and one Kenting Tea House. In Mainland China, the Group was operating 17 stores as at 30 September 2021.

### **PROSPECTS**

Fairwood has a long history of dealing well with adversity, matched with a tradition of responsiveness and agility in managing changes in the market and society. These have served us well over the past year and a half in dealing with the unprecedented COVID-19 situation. In particular, we have embraced digital initiatives in our operations management and marketing, which have helped us to further enhance our flexibility, better manage pandemic restrictions, and at the same time win new markets and customers.

Rising food costs and staff shortages represent some of our biggest challenges going forward. To manage these challenges, we will continue our efforts to negotiate lower rentals while also enhancing efficiencies in other areas of our operations. Our increasing takeaway sales are also opening up options for better utilising our physical floor space, especially in our larger restaurants. We will remain committed to providing our staff with attractive compensations packages and incentives, a clear succession plan, and plenty of training and self-improvement opportunities. We believe our unique workplace staff culture and benefits are very important factors in helping us retain quality staff.

Network expansion in Hong Kong will continue in the months ahead; we have plans to open four or five new stores by early 2022. We will also be continuing to expand menu options by adding exciting new dishes in the months ahead. Following a very positive start to our digital transformation initiatives, we will be increasing our use of digital channels for marketing, as well as using new digital workflow products to help us further enhance our efficiency across the board. There are also changes afoot in our store design that will enhance our customers' in-store dining experience.

From Q4 2021, our specialty restaurant brands will be undergoing a restructuring to give each brand greater definition and appeal. This will be accompanied by the launch of new tailored brand strategies to drive growth of the different brands. In Mainland China, potential for growth in the Greater Bay Area is strong, and the Group is in a good position for further expansion following its recent localisation initiatives there, utilising innovative marketing approaches.

Having ridden out the worst of the pandemic storm, Fairwood is further consolidating its position as one of Hong Kong's premier fast food restaurant chains. Our swift recovery and agile responsiveness to change mean we are ready to expand once more, utilising modern technology to grow new target markets and enhance our efficiencies. At the same time, we will continue to hold fast to our traditional strengths of excellent food quality and value, warm professional service and community care, all encapsulated in our motto 'Enjoy Great Food. Live a Great Life'.

## **Financial Review**

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

As at 30 September 2021, total assets of the Group amounted to HK\$2,426.9 million (31 March 2021: HK\$2,448.0 million). The Group's net current liabilities were HK\$2.3 million (31 March 2021: net current liabilities of HK\$9.6 million), represented by total current assets of HK\$902.3 million (31 March 2021: HK\$802.3 million) against total current liabilities of HK\$904.6 million (31 March 2021: HK\$811.9 million) and the current ratio, being the proportion of total current assets against total current liabilities, was 1.0 (31 March 2021: 1.0). Total equity was HK\$754.2 million (31 March 2021: HK\$777.8 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2021, the Group had bank deposits and cash and cash equivalents amounting to HK\$723.4 million (31 March 2021: HK\$622.1 million), representing an increase of 16.3%. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2021, the Group had no bank loan (31 March 2021: nil). The gearing ratio of the Group was 0.0% (31 March 2021: 0.0%), which was calculated based on the total bank loan over total equity. The unutilised banking facilities were HK\$275.3 million (31 March 2021: HK\$269.7 million).

### ***Profitability***

Annualised return on average equity was 13.7% (year ended 31 March 2021: 20.5%), 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\$1.0 million (31 March 2021: HK\$1.0 million).

### ***Commitments***

As at 30 September 2021, the Group's outstanding capital commitments was HK\$9.1 million (31 March 2021: HK\$7.9 million).

### *Contingent liabilities*

As at 30 September 2021, 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\$83.6 million (31 March 2021: HK\$89.2 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 2021, the total number of employees of the Group was approximately 5,700 (31 March 2021: 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 HK25.0 cents (2020: HK30.0 cents) per share for the six months ended 30 September 2021 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 17 December 2021. The declared dividend represented a distribution of approximately 62% (2020: 60%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 31 December 2021.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Wednesday, 15 December 2021 to Friday, 17 December 2021 (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 Tuesday, 14 December 2021 for registration.

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

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2021, 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.

Code provision A.4.2 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 of the Company. 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 2021.

## **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 2021.

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

This results announcement is published on the respective websites of the Company ([www.fairwoodholdings.com.hk](http://www.fairwoodholdings.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 September 2021 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, 30 November 2021

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

*Executive Directors: Mr Dennis Lo Hoi Yeung (Executive Chairman), Mr Lo Fai Shing Francis (Chief Executive Officer), Ms Mak Yee Mei and Ms Peggy Lee; and  
Independent Non-executive Directors: Mr Ng Chi Keung, Mr Joseph Chan Kai Nin, Dr Peter Lau Kwok Kuen and Mr Peter Wan Kam To.*