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G-VISION INTERNATIONAL (HOLDINGS) LIMITED

環科國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 657)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board of directors of G-Vision International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2017 together with comparative figures for the corresponding previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	88,305	90,938
Other income and other gains		1,439	3,394
Cost of inventories consumed		(28,257)	(29,555)
Staff costs		(33,655)	(33,831)
Operating lease rentals		(16,614)	(15,934)
Depreciation		(31)	(635)
Other operating expenses		(20,195)	(23,681)
Loss for the year attributable to owners of the Company	4	(9,008)	(9,304)

* *for identification purpose only*

		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale investments		(18)	(435)
Reclassification to profit or loss upon disposal of available-for-sale investments		89	62
Reclassification adjustment relating to impairment loss on available-for-sale investments		572	—
Other comprehensive income (expense) for the year		643	(373)
Total comprehensive expense for the year attributable to owners of the Company		(8,365)	(9,677)
Loss per share (basic and diluted)	6	(HK0.46cent)	(HK0.48cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	<i>NOTES</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		118	91
Available-for-sale investments		1,110	3,538
Property rental deposits		<u>–</u>	<u>4,916</u>
		1,228	8,545
Current assets			
Inventories		1,246	1,459
Trade and other receivables	7	6,494	13,833
Available-for-sale investments		3,397	2,163
Investments in certificates of deposit		–	5,866
Pledged bank deposits		413	1,012
Short-term bank deposits			
– with original maturity over three months		46,945	33,507
– with original maturity within three months		36,359	27,739
Bank balances and cash		<u>10,766</u>	<u>21,194</u>
		105,620	106,773
Current liabilities			
Trade and other payables	8	<u>7,413</u>	<u>7,518</u>
Net current assets		<u>98,207</u>	<u>99,255</u>
Net assets		<u>99,435</u>	<u>107,800</u>
Capital and reserves			
Share capital		194,631	194,631
Reserves		<u>(95,196)</u>	<u>(86,831)</u>
Total equity		<u>99,435</u>	<u>107,800</u>

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments that are measured at fair values at the end of the reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts” ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 - 2016 cycle ⁵
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 “Financial instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, the directors of the Company consider that the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios.

Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group shall recognise an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK\$12,555,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of the new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of the other new and amendments to HKFRSs will have material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received or receivable for goods sold and services rendered by the Group, net of discounts and sales related taxes, during the year.

Financial information provided to the chief operating decision maker, being the executive directors, for performance assessment and resources allocation is based on the overall operating results and financial position of the Group which constitute the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position. Financial information regarding the segment for both years can be made reference to the results as set out in the consolidated statement of profit or loss and other comprehensive income.

Geographical information

As all external revenue for both years and non-current assets are either derived from or located in Hong Kong, an analysis of the consolidated revenue and non-current assets by geographical location is not presented.

Information about major customers

There is no customer contributing over 10% of the total revenue of the Group for both years.

4. LOSS FOR THE YEAR

	2017 HK\$'000	2016 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments	4,813	4,854
Other staff costs, including retirement benefits costs	28,842	28,977
Total staff costs	33,655	33,831
Auditor's remuneration	410	410
Net exchange loss included in other operating expenses	671	3,845
and after crediting:		
Interest income from:		
– Available-for-sale investments	163	389
– Others	1,190	2,971

5. TAXATION

No provision for taxation has been made in the consolidated financial statements as the Company and its subsidiaries have no assessable profit for both years.

6. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	2017	2016
	HK\$'000	HK\$'000
Loss for the year	(9,008)	(9,304)
	Number of shares	
	2017	2016
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	1,946,314,108	1,941,563,288

The calculation of diluted loss per share for both years does not assume the exercise of share options as their assumed exercise would result in a decrease in loss per share.

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$463,000 (2016: HK\$532,000). Most of the restaurant customers settle in cash and credit cards. The Group allows an average credit period of 60 days to other trade customers including travel agencies.

The following is an aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK\$'000	HK\$'000
0 - 60 days	453	530
61 - 90 days	10	2
	463	532

Management has delegated a team responsible for assessing the potential customer's credit quality and defining credit limit by customer. Credit limits attributed to customers are reviewed regularly by management. Management closely monitors the credit quality of trade receivables and considers that trade receivables that are neither past due nor impaired to be of good credit quality as most trade receivables were settled within credit period based on the historical experience. Over 99% (2016: over 99%) of the trade receivables are neither past due nor impaired. Based on the historical experience of the Group, trade receivables that are past due are generally recoverable. Accordingly, no impairment loss was recognised.

Included in trade and other receivables at 31 March 2016 was an aggregate sum of RMB9,850,000 (equivalent to HK\$11,727,000) resulting from the disposal of investment properties located in the People's Republic of China during the year ended 31 March 2012. The balance at 31 March 2016 was placed with a bank by two directors of the Company under an arrangement that the directors would follow the instructions of the Company with respect to the disposition of such balance. The balance was gradually transferred back to the Group during the current year and the balance at 31 March 2017 became nil. Interest generated from the bank deposits was recognised by the Group as interest income and included in 'other income and other gains' in the consolidated statement of profit or loss and other comprehensive income.

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$2,377,000 (2016: HK\$2,456,000). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 - 60 days	2,367	2,427
More than 60 days	<u>10</u>	<u>29</u>
	<u>2,377</u>	<u>2,456</u>

9. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	12,555	17,266
In the second to fifth year inclusive	<u>–</u>	<u>12,555</u>
	<u>12,555</u>	<u>29,821</u>

Operating lease payments mainly represent rental payable by the Group for its office, restaurants and staff accommodation. Leases are negotiated for an average term of one to three years (2016: one to three years).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 March 2017, the Group recorded consolidated revenue of approximately HK\$88.3 million, representing a decrease of 2.9% from previous year's revenue of approximately HK\$90.9 million.

The Group recorded a net loss of approximately HK\$9.0 million for the year under review compared to a net loss of approximately HK\$9.3 million for the previous year.

Business Review

For the restaurant operation, the decline in revenue was mainly attributable to a more competitive operating environment which led to a considerable drop in revenue for all of our restaurant outlets. However, with some price adjustments and more stringent cost control measures, the turnover per head had improved and the Group was able to improve the gross profit margin by 0.5% despite the decline in revenue for the year under review.

The Group's year-on-year decrease in gross profit of approximately HK\$1.3 million and the increase in rental costs of approximately HK\$0.7 were compensated by a saving in other operating costs by approximately HK\$0.8 million and the decrease in depreciation and staff costs by approximately HK\$0.6 million and HK\$0.2 million respectively.

The positive impact from the decrease in revaluation loss of approximately HK\$3.2 million for the Group's Renminbi denominated bank deposits and other receivables was partially offset by the decrease in interest income of approximately HK\$2.0 million; the recognition of an impairment loss for the Group's available-for-sale investments of approximately HK\$0.6 million as well as the operating losses as mentioned in previous paragraph. As a result, the net loss for the Group only improved by merely HK\$0.3 million for the year under review.

Outlook

The restaurant business will continue to serve as our core operation. However, the operating environment for the Group's restaurant operations still remains challenging. The Group will continue to monitor its operating costs cautiously given the higher rentals and increasing food and staff costs. The Group reviews and revises its business strategies on a regular basis with the aim to better position itself to meet the challenges ahead and to capitalize any future acquisition and strategic investment opportunities as they arise.

Liquidity and Financial Resources

The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$94.5 million as at 31 March 2017. As the Group had no bank borrowings, the Group's gearing ratio was zero as at 31 March 2017 and 31 March 2016.

With the cash generated from the Group's operations in its ordinary course of business and the existing unutilised banking and credit facilities, the directors consider that the Group has sufficient working capital for its operations.

Foreign Exchange Exposure

Most of the Group's sales, purchases, cash and bank balances were denominated in Hong Kong dollars. The Group is exposed to foreign currency risk primarily through certain bank deposits and available-for-sale investments which are denominated in Renminbi. The management would closely monitor such risk and would consider hedging significant foreign currency exposure should the need arise.

Employees

As at 31 March 2017, the Group had approximately 150 staff. Total staff costs including directors' emoluments amounted to approximately HK\$33.6 million (31 March 2016: HK\$33.8 million) for the year under review.

Review of the employees' remuneration packages is normally conducted annually and as required from time to time. The salary and benefit levels of the Group's employees are competitive and individual performance is rewarded through the Group's bonus scheme. Other benefits including medical coverage and mandatory provident fund scheme are also provided to employees.

DIVIDEND

The directors have resolved not to recommend the payment of any final dividend for the year ended 31 March 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 August 2017 to Friday 18 August 2017 (both days inclusive) for the purpose of establishing entitlement of shareholders to attend and vote at the forthcoming annual general meeting of the Company. During this period, no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Monday, 14 August 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the “Code”) to the Listing Rules as its own corporate governance code. The Company has complied with the code provisions set out in the Code throughout the year ended 31 March 2017 except for code provision A.2.1 in respect of the role separation of the chairman and the chief executive; code provision A.4.1 in respect of the service term of non-executive directors (“NEDs”) and code provision D.1.4 in respect of the letters of appointment for directors.

Code provision A.2.1 sets out that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Cheng Hop Fai assumes the role of both the chairman and the managing director (equivalent to the role of a chief executive) of the Company. The board of directors considers that such arrangement will not result in undue concentration of power and is, at this stage, conducive to the efficient formulation and implementation of the Group’s strategies thus allowing the Group to develop its business more effectively.

Code provision A.4.1 stipulates that NEDs should be appointed for a specific term, subject to re-election. The independent non-executive directors (“INEDs”) of the Company are not appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, as all the INEDs of the Company are subject to retirement by rotation at the annual general meetings of the Company at least once every three years in accordance with the Company’s Bye-laws, in the opinion of the directors, this meets the objective of the code provision A.4.1.

Code provision D.1.4 sets out that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for certain directors. All of the directors of the Company are, however, required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. In the opinion of the directors, this meets the objective of the code provision D.1.4.

AUDIT COMMITTEE

The audit committee which comprises the three INEDs of the Company has reviewed with management and the external auditor the accounting principles and practices adopted by the Group; the risk management and internal control systems as well as other auditing and financial reporting matters including the consolidated accounts for the year ended 31 March 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all the directors confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 March 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement will be published on the websites of the Company (www.g-vision.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The Company's annual report 2016/2017 will be dispatched to the shareholders and posted on the said websites in due course.

ACKNOWLEDGEMENTS

I would like to express my gratitude to the management and staff members of the Group for their dedication and invaluable efforts and contributions to the Group during the year.

By Order of the Board
Cheng Hop Fai
Chairman

Hong Kong, 28 June 2017

As at the date of this announcement, the board of directors of the Company comprises Mr. Cheng Hop Fai (Chairman and Managing Director), Ms. Cheng Pak Ming, Judy, Ms. Cheng Pak Man, Anita and Ms. Cheng Pak Lai, Lily as executive directors; and Mr. Leung Tai Chiu, Mr. Law Toe Ming and Mr. Mark Yiu Tong, William as independent non-executive directors.