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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board of directors (the “**Board**”) of G-Vision International (Holdings) Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2023, together with comparative results. The condensed consolidated interim results have not been audited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended	
		30 September	
	<i>Note</i>	2023	2022
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	4	24,422	20,623
Cost of sales		(6,743)	(6,624)
Gross profit		17,679	13,999
Other income and other gains and losses		415	1,374
Staff costs		(11,497)	(10,635)
Short-term lease rentals		(2,783)	(2,183)
Depreciation		(98)	(1,780)
Building management fees and rates		(2,060)	(1,916)
Utilities and cleaning expenses		(2,319)	(1,821)
Other operating expenses		(2,703)	(2,210)
Loss from operations		(3,366)	(5,172)
Finance costs		(268)	(361)
Loss before tax		(3,634)	(5,533)
Income tax expense	5	—	—
Loss for the period attributable to owners of the Company	6	(3,634)	(5,533)

* for identification purpose only

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

For the six months ended 30 September 2023

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
<i>Note</i>	(Unaudited)	(Unaudited)
Other comprehensive loss:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments at fair value through other comprehensive income (“FVTOCI”)	(140)	(259)
 <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(7)	(40)
Other comprehensive loss for the period, net of tax	(147)	(299)
Total comprehensive loss for the period attributable to owners of the Company	(3,781)	(5,832)
Loss per share attributable to owners of the Company	HK cents	HK cents
– Basic and diluted	7 (0.19)	(0.28)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		733	821
Right-of-use assets		–	–
Property rental deposits		1,388	1,369
		2,121	2,190
Current assets			
Inventories		643	663
Trade receivables, prepayments and other receivables	8	2,047	1,669
Property rental deposits		1,481	1,481
Equity instruments as at FVTOCI		837	977
Bank and cash balances		18,861	24,523
		23,869	29,313
Current liabilities			
Trade and other payables	9	7,765	8,074
Tax payables		–	44
Lease liabilities		2,974	2,843
		10,739	10,961
Net current assets		13,130	18,352
Total assets less current liabilities		15,251	20,542
Non-current liabilities			
Lease liabilities		6,467	7,977
NET ASSETS		8,784	12,565
Capital and reserves			
Share capital		194,631	194,631
Reserves		(185,847)	(182,066)
TOTAL EQUITY		8,784	12,565

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 108, 1st Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are the operation of Chinese restaurants in Hong Kong which specialise in Chiu Chow cuisine.

In the opinion of the directors of the Company (the "**Directors**"), Kong Fai International Limited, a company incorporated in the British Virgin Islands, is the ultimate parent. Mr. Cheng Hop Fai and his family members are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company.

3. ACCOUNTING POLICIES

The condensed consolidated interim financial statements should be read in conjunction with the 2022/23 annual consolidated financial statements. Except for the change in the presentation of segment information as described in note 4 and the adoption of the new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are relevant to the Group's operations and mandatorily effective for accounting periods beginning on or after 1 January 2023, the accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2023.

The adoption of the new and revised HKFRSs did not have any material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. 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 period.

Owing to completion of the property development project for the Group during the year ended 31 March 2022, no further revenue and operating profit was generated from this segment in the subsequent accounting periods. As the Group was principally engaged in the operation of Chinese restaurants in Hong Kong for the six months ended 30 September 2023, the financial information provided to the chief operating decision makers, being the executive directors, for performance assessment and resources allocation has been based on the overall operating results and financial position of the Group which constitutes the condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of financial position. The segment information for the six months ended 30 September 2023, together with comparative results, refers to the results as set out in the condensed consolidated statement of profit or loss and other comprehensive income.

As all external revenue for both periods 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.

Operation of Chinese restaurants (revenue recognised at a point in time)

For operation of Chinese restaurants, revenue is recognised when food and beverages are served to the customers.

The following table provides information about receivables from contracts with customers:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade receivables, which are included in “trade receivables, prepayments and other receivables”	548	180

During both periods, there was no customer contributing more than 10% of the total revenue of the Group.

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group did not have assessable profit for both periods.

The Group’s subsidiary incorporated in Australia is subject to Australian income tax rate of 25% (six months ended 30 September 2022: 25%).

6. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss for the period is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales	6,743	6,624
Depreciation		
– property, plant and equipment	98	681
– right-of-use assets	–	1,099
	98	1,780
Short-term lease rentals	2,783	2,183
Finance costs		
– interest on lease liabilities	251	313
– imputed interest expense	17	48
	268	361
Net exchange losses	446	1,194
Government subsidies	–	(1,672)
COVID-19-related rent concessions	(459)	(736)
	<u>6,743</u>	<u>6,624</u>

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company	<u>3,634</u>	<u>5,533</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (<i>Note</i>)	<u>1,946,314,108</u>	<u>1,946,314,108</u>

Note:

There was no dilutive potential ordinary share for the Company's share option for the six months ended 30 September 2022 and 2023.

8. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
0 to 30 days	<u><u>548</u></u>	<u><u>180</u></u>

9. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables, based on the date of invoice, is as follows:

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
0 to 60 days	<u>2,364</u>	<u>2,459</u>
Over 60 days	<u>21</u>	<u>57</u>
	<u><u>2,385</u></u>	<u><u>2,516</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Net Loss

For the six months ended 30 September 2023, the Group recorded a consolidated revenue of approximately HK\$24.4 million, representing an increase of approximately 18.4% compared to the last corresponding period's revenue of approximately HK\$20.6 million. The net loss for the period under review amounted to approximately HK\$3.6 million compared to the net loss of approximately HK\$5.5 million in the last corresponding period.

Gross Profit

The increase in gross profit of approximately HK\$3.7 million from approximately HK\$14.0 million in the last corresponding period to approximately HK\$17.7 million for the period under review was mainly attributable to the increase in revenue as well as the improvement in gross profit margin.

Other Income and Other Gains and Losses

The other income and other gains and losses of the Group of approximately HK\$0.4 million mainly consist of (i) rental concessions of approximately HK\$0.5 million; (ii) interest income of approximately HK\$0.3 million; (iii) dividend income of HK\$0.1 million and (iv) foreign exchange losses of approximately HK\$0.5 million. The significant decrease in other gains of approximately HK\$1.0 million from the last corresponding period was primarily due to approximately HK\$1.7 million in subsidies granted by the Hong Kong Government under the various Anti-epidemic Fund relief schemes in last corresponding period, which was partially offset by the decrease in foreign exchange losses of approximately HK\$0.7 million.

Staff Costs

The total staff costs of the Group amounted to approximately HK\$11.5 million for the period under review. The period-on-period increase of approximately HK\$0.9 million was mainly in line with the surge in staff costs during the last quarter of 2022, as the Group had to offer pay rises to hire new staff and/or to retain existing staff amid labour shortage in the catering industry. The tight labour conditions persisted throughout the period under review.

Short-term Lease Rentals, Finance Costs and Depreciation of Right-of-use Assets

The application of HKFRS 16 on the Group's lease agreements resulted in the booking of related short-term lease rentals of approximately HK\$2.8 million (2022: HK\$2.2 million) and finance costs of approximately HK\$0.3 million (2022: HK\$0.4 million) for the period under review. The increase in rental expenses was mainly attributable to the upward adjustment of monthly rental for the lease of the Tsim Sha Tsui branch. There was no depreciation of right-of-use assets (2022: HK\$1.1 million) for the period under review as the right-of-use assets in relation to the restaurant lease in Kwun Tong had been fully impaired in the previous financial year.

Utilities and Cleaning Expenses

The increase in utilities costs of the Group of approximately HK\$0.2 million was in line with the increase in revenue. There was an increase in sanitary and cleaning expenditure of the Group of approximately HK\$0.3 million due to the worsening labour shortage in the laundry and dishwashing services industry, leading to the termination of services by the Group's service providers during the period under review. As a result, the Group had to switch to alternative service providers with less competitive pricing, resulting in a substantial increment in these costs.

Other Operating Expenses

The increase in other operating expenses of the Group of approximately HK\$0.5 million from approximately HK\$2.2 million in the last corresponding period to approximately HK\$2.7 million for the period under review was mainly attributable to the increase in repair and maintenance costs and card commission expenses.

BUSINESS REVIEW

Restaurant Operation in Hong Kong

The Group is mainly engaged in the operation of Chinese restaurants in Hong Kong which specialises in Chiu Chow cuisine. The revenue from the Group's restaurant operation amounted to approximately HK\$24.4 million for the period under review, representing an increase of approximately HK\$3.8 million from the last corresponding period.

April 2023 to June 2023

The revenue of the Group for the quarter ended 30 June 2023 was approximately HK\$12.2 million, representing a 34% or HK\$3.1 million increase from the last corresponding period. The rebound in revenue was due to the low base of revenue in last corresponding period. Following the gradual easing of social distancing measures beginning in late April 2022, the Group's restaurant operation was able to resume its normal operating hours and seating capacity. Despite this, the growth of business remained weak in 2023. The Hong Kong catering sector experienced at least a 15% drop in business over the Easter break, as many residents travelled abroad over the Ching Ming Festival and the long Easter weekend. Similarly, the "golden week" Labour Day holiday in May saw a higher number of outbound travellers compared to inbound travellers from mainland China. Consequently, the revenue generated in this quarter was only 70% of the pre-COVID level.

July 2023 to September 2023

The revenue of the Group for the quarter ended 30 September 2023 was approximately HK\$12.2 million, representing a 6% or HK\$0.7 million increase from the last corresponding period. The Group's restaurant business in September was significantly disrupted by several extreme weather events which began with the strike of Typhoon Saola during the first two days of September, followed by the once-in-500-years torrential rainstorm starting from 7 September 2023, which led to severe flooding, landslides and extensive damage to infrastructure across Hong Kong. As a result, the Tsim Sha Tsui branch had to be closed for three days and the operating hours of the Kwun Tong branch had to be shortened. While the business improved during the Mid-Autumn Festival period, the revenue lost in early September due to the extreme weather conditions partially offset the gains.

Liquidity and Financial Resources

The Group's bank and cash balances amounted to approximately HK\$18.9 million as at 30 September 2023. As the Group had no bank borrowings, the Group's gearing ratio was zero (defined as total bank borrowings divided by total assets) as at 30 September 2023 and 31 March 2023.

With the cash generated from the Group's operations in its ordinary course of business and the existing unutilised banking and other 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, bank and cash balances from the restaurant operation are denominated in Hong Kong dollars. The Group is exposed to foreign currency risk primarily through certain bank deposits which are denominated in Australian dollars, United States dollars and Renminbi. The management closely monitors such risk and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 September 2023, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

As at 30 September 2023, the Group had approximately 95 staff. The Group's total staff costs were approximately HK\$11.5 million for the period 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 the Group's employees.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2023 (for the six months ended 30 September 2022: Nil).

PROSPECTS

The restaurant business will continue to serve as the Group's core operation. The performance of the restaurant business is expected to improve in the second half of the financial year, as the upcoming festive season has historically been the high season for the food and beverage industry. However, the Directors expect the recovery of the restaurant business to pre-COVID-19 levels to be challenging. The global economic downturn amid high interest rates and tighter financing conditions affect corporate and consumer expenditures. This, combined with the decrease in business and social gatherings following the implementation of flexible working days and increased work-from-home arrangements, has had a direct impact on the night life of Hong Kong, particularly the dining business for the Group's restaurants. Additionally, the continued growth in outbound travellers to the Greater Bay Area during the weekends and school holidays affects the Group's business. The unfavourable market sentiment coupled with rising food and service costs as well as the shortage of skilled labour in the Chinese restaurant industry imply that the outlook remains challenging. Nevertheless, the Group will continue to (i) monitor its operating costs closely; (ii) adopt a more cautious approach when committing to further capital expenditure; and (iii) review and revise its business strategies regularly, with the aim to better positioning itself to face the upcoming challenges and capture new investment opportunities as they arise. Moreover, the Group maintains its interest in the property development industry and will continue to explore new projects for this business segment.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period ended 30 September 2023 and up to the date of this announcement, there was no other significant event affecting the Company or any of its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of Shares by the Company or any of its subsidiaries during the six months ended 30 September 2023.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**Code**”) contained in Appendix 14 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 six months ended 30 September 2023 except for code provision C.2.1 in respect of the role separation of the chairman and the chief executive and code provision C.3.3 in respect of the letters of appointment for Directors.

Code provision C.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 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 C.3.3 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 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. In the opinion of the Directors, this meets the objective of the code provision C.3.3.

AUDIT COMMITTEE

The audit committee comprises the three INEDs, namely, Mr. Hung Chi Yuen, Andrew as the chairman, Mr. Law Toe Ming and Mr. Yuen Shiu Cheong, Johnny as members. The terms of reference of the audit committee are consistent with the code provisions set out in the Code. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with the Board the internal control and financial reporting matters including the unaudited interim financial statements for the six months ended 30 September 2023.

REMUNERATION COMMITTEE

Pursuant to rule 3.25 of the Listing Rules, the Company has established a remuneration committee comprising the three INEDs, namely, Mr. Law Toe Ming as the chairman, Mr. Hung Chi Yuen, Andrew and Mr. Yuen Shiu Cheong, Johnny as members. The terms of reference of the remuneration committee are consistent with the code provisions set out in the Code. The principal function of the remuneration committee is to make recommendation to the Board on the Group's policy and structure for the remuneration of Directors and senior management.

NOMINATION COMMITTEE

Pursuant to rule 3.27A of the Listing Rules, the Company has established a nomination committee comprising Mr. Cheng Hop Fai as the chairman and two INEDs, namely, Mr. Law Toe Ming and Mr. Hung Chi Yuen, Andrew as members. The terms of reference of the nomination committee are consistent with the code provisions set out in the Code. The principal function of the nomination committee is to review the structure, size, composition and diversity of the Board at least annually with reference to the business needs and development of the Company and make recommendations to the Board on any proposed changes to the Board to complement the Group's corporate strategy.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained 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 six months ended 30 September 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim 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 interim report 2023/24 will be dispatched to its shareholders and posted on the said websites in due course.

By order of the Board
Cheng Hop Fai
Chairman

Hong Kong, 21 November 2023

As at the date of this announcement, the Board 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; Mr. Law Toe Ming, Mr. Hung Chi Yuen, Andrew and Mr. Yuen Shiu Cheong, Johnny as independent non-executive Directors.