Max Sight Group Holdings Limited
名仕快相集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8483)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM and generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

ANNUAL RESULTS HIGHLIGHTS

- The Group's revenue increased by approximately HK$8,242,000 or 17.73%, from approximately HK$46,491,000 for the year ended 31 December 2017 to approximately HK$54,733,000 for the year ended 31 December 2018.

- The Group's gross profit amounted to approximately HK$23,234,000 and HK$20,508,000 for the years ended 31 December 2018 and 2017 respectively, representing gross profit margin of approximately 42.45% and 44.11% respectively, maintained at a stable level.

- The profit attributable to owners of the Company increased by approximately HK$5,266,000 from a loss attributable to owners of the Company approximately HK$3,486,000 for the year ended 31 December 2017 to profit attributable to owners of the Company approximately HK$1,780,000 for the year ended 31 December 2018.

- The Directors do not recommend to declare a final dividend for the year ended 31 December 2018.

ANNUAL RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue	*4*	**54,733**	46,491
Cost of sales		**(31,499)**	(25,983)
Gross profit		**23,234**	20,508
Other income		**981**	158
Other gains and losses, net		**(144)**	65
Administrative expenses		**(12,996)**	(9,211)
Finance costs		**(3)**	(9)
Listing expenses		**(7,789)**	(11,268)
Profit before taxation		**3,283**	243
Income tax expense	*5*	**(1,503)**	(2,076)
Profit (loss) for the year		**1,780**	(1,833)
Other comprehensive (expense) income for the year			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(566)**	245
Total comprehensive income (expense) for the year		**1,214**	(1,588)
Profit (loss) for the year attributable to:			
Owners of the Company		**1,780**	(3,486)
Non-controlling interests		**–**	1,653
		1,780	(1,833)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**1,214**	(3,293)
Non-controlling interests		**–**	1,705
		1,214	(1,588)
Earnings (loss) per share			
— Basic (HK cents)	*7*	**0.23**	(0.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**11,172**	2,556
Deposits	9	**1,838**	4,929
		13,010	7,485
Current assets			
Inventories		**172**	280
Trade receivables	8	**1,140**	702
Other receivables, deposits and prepayments	9	**910**	4,312
Tax recoverable		**456**	–
Bank balances and cash		**47,294**	12,746
		49,972	18,040
Current liabilities			
Other payables and accrued charges	10	**2,557**	5,490
Dividend payables		**–**	10,800
Obligation under finance lease		**–**	183
Tax payable		**–**	745
		2,557	17,218
Net current assets		**47,415**	822
Non-current liability			
Deferred tax liabilities		**124**	130
Net assets		**60,301**	8,177
Capital and reserves			
Share capital		**8,000**	10
Share premium and reserves		**52,301**	8,167
Equity attributable to owners of the Company		**60,301**	8,177
Total equity		**60,301**	8,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of Stock Exchange. Its ultimate and immediate holding company is Causeway Treasure Holding Limited ("**Causeway Treasure**"), an entity incorporated in the British Virgin Islands (the "**BVI**"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is 14th Floor, McDonald's Building, 48 Yee Wo Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of photography services by supplying automatic identity ("**ID**") photo booths in Hong Kong and Guangdong Province, the People's Republic of China ("**PRC**").

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the group reorganisation stated in the Company's prospectus dated 15 February 2018 (the "**Prospectus**") in preparation for the listing of the Company's shares on GEM of the Stock Exchange (the "**Reorganisation**"), the Company became the holding company of the subsidiaries now comprising the Group on 6 July 2017, the details of which are set out in the Prospectus.

As the Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy, Ms. Au-Yeung Ying Ho and Causeway Treasure (collectively the "**Controlling Shareholders**") and is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group throughout the year ended 31 December 2017 under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting, Under Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the group structure had been in existence throughout the two years ended 31 December 2018.

Non-controlling interests for the year ended 31 December 2017 comprised of Mr. Cheung Kam Ting's interests in Max Sight Limited ("**Max Sight**"), Fullwise International Limited ("**Fullwise**") and MV Asset Management Limited ("**MV Asset**") and Photo-Me International Plc. ("**Photo-Me**")'s interests in Max Sight and Fullwise.

The shares of the Company have been listed on GEM of Stock Exchange with effect from 28 February 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

3.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded Hong Kong Accounting Standards ("**HKAS**") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue solely arising from provision of photography service.

In the opinion of the directors of the Company the application of HKFRS 15 has no impact on, except for more disclosure are required, the amounts recognised in the consolidated financial statements and classification of items in the consolidated statement of financial position.

3.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

ECL for other financial assets at amortised cost, including bank balances and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

After performing the assessment of expected credit loss on the Group's existing trade receivables, other receivables and bank balances, no expected credit loss allowance was recognised by the Group as at 1 January 2018 as the amount is not material.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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, the Group currently presents operating lease payments as operating cash flows. Upon application of 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 by the Group.

Under HKAS 17, the Group has already recognised 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.

Other than certain requirements which are also applicable to lessor, 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 December 2018, the Group has non-cancellable operating lease commitments of HK$14,333,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$2,272,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of photography service by the Group to external customers, net of sales returns.

Segment information

The Group's operation is solely derived from provision of photography service in Hong Kong and Guangdong Province, PRC, during both years.

Information reported to the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment focuses on revenue analysis by geographic location of customers. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures and geographic information are presented.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Geographical information

The Group's revenue from external customers and non-current assets (excluding financial assets) by jurisdictions based on the place of domicile are detailed below:

	Revenue Year ended 31 December		**Non-current assets As at 31 December**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
			(Note)	*(Note)*
Hong Kong	**49,868**	40,826	**1,202**	1,270
PRC	**4,865**	5,665	**9,970**	4,347
	54,733	46,491	**11,172**	5,617

	2018	2017
	HK$'000	*HK$'000*
Timing of revenue recognition		
A point in time	**54,733**	46,491

Note: Non-current assets excluded financial instruments.

For both years, no single customer accounted for 10% or more of the Group's total revenue.

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
— Current tax	**1,620**	1,759
— Overprovision in prior years	**(28)**	(40)
	1,592	1,719
PRC Enterprise Income Tax:		
— Current tax	**–**	363
— (Overprovision) underprovision in prior years	**(83)**	20
	(83)	383
Deferred tax credit	**(6)**	(26)
	1,503	2,076

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for both years can be reconciled to the profit before taxation as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation	**3,283**	243
Tax at the domestic income tax rate of 16.5%	**542**	40
Tax effect of income not taxable for tax purpose	**(264)**	(15)
Tax effect of expenses not deductible for tax purpose	**1,549**	1,949
Overprovision in prior years	**(111)**	(20)
Income tax at concessionary rate	**(165)**	–
Effect of different tax rate of subsidiary operating in other jurisdiction	**(48)**	122
Tax charge for the year	**1,503**	2,076

6. DIVIDENDS

No dividend has been paid or proposed by the Group for the year ended 31 December 2018.

Dividends declared and paid by the Group for the year ended 31 December 2017 were as follows:

	2017
	HK$'000
Max Sight	12,600
MV Asset	125
Treasure Star (China) Limited	4,950

7. EARNINGS (LOSS) PER SHARE

The calculation of basis earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Earnings (loss):		
Earnings (loss) for the purpose of calculating basic earnings (loss) per share		
— Profit (loss) for the year attributable to the owners of the Company	**1,780**	(3,486)
	'000	*'000*
Weighted average number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**768,219**	512,147

The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 January 2017.

No diluted earnings (loss) per share for both years were presented as there were no potential ordinary shares in issue during both years.

8. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
— goods and services	**1,140**	702
Less: Allowance for credit losses	**–**	–
	1,140	702

The Group grants credit terms of 0–20 days to its lessor which holds the money from customer on behalf of the Group. An ageing analysis of the trade receivables presented based on the monthly statement issued to the lessor at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
0–20 days	**1,140**	702

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Rental and utilities deposits	**2,275**	2,211
Prepayments	**272**	289
Other receivables	**201**	360
Deferred issue costs	**–**	3,320
Deposits for acquisition of property, plant and equipment	**–**	3,061
Total	**2,748**	9,241
Presented as non-current assets	**1,838**	4,929
Presented as current assets	**910**	4,312
Total	**2,748**	9,241

As at 31 December 2017, the balance included an aggregate amount of HK$780,000 in relation to the deposits for the acquisition of property, plant and equipment placed to a subsidiary of Photo-Me.

10. OTHER PAYABLES AND ACCRUED CHARGES

	2018	2017
	HK$'000	*HK$'000*
Accrued expenses	**551**	470
Accrued listing expenses	**–**	3,159
Salaries payables and provision for bonus	**958**	429
Machine licence fee payable	**–**	542
Photo validation fee payable	**2**	163
Other lease and licence fee payables	**905**	454
Other payables	**110**	232
Other tax payables	**31**	41
	2,557	5,490

As at 31 December 2017, the balance included an aggregate amount of approximately HK$155,000 in relation to the purchase of photo booths from a subsidiary of Photo-Me. The amount was fully settled during the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was successfully listed on the Stock Exchange on 28 February 2018, marking a milestone for the Group in improving capital strength and corporate governance as well as enhancing our competitive edge. As at the date of this annual result announcement, all of the unused proceeds from the share offer were deposited in licensed banks in Hong Kong.

The business in Hong Kong is stable and the sales in Hong Kong was increased during the year ended 31 December 2018. It was attributed to the increase in the sales prices and the number of transactions generated by photo booths in Hong Kong.

We intend to replicate the success of our business model in Hong Kong to the PRC by expanding our network of automatic ID photo booths through installing new photo booths in certain selected sites in the PRC. We believe the automatic ID photo booth business has considerable expansion potential in the PRC.

Expanding our photo booths network is the key to developing our business in the PRC. Due to the continuous changes in the government policy for ID photos in the PRC, our expansion plan in Guangdong Province was slightly delayed during the year ended 31 December 2018. We are endeavoured to analyse the market response and minimise the impact of each new policy. We have performed market researches and held conferences with vendors to explore and discuss any business opportunities in Guangdong Province and other provinces in the PRC.

As part of our expansion plans, we are working with our business partners of the Group to expand our photo booths network in the ID Documentations Issuing Authorities.

Other than expanding into the locations of ID Documentations Issuing Authorities, we are also exploring opportunities to develop our network in the PRC railways stations, shopping malls, etc.. We have negotiated with the property owners and business partners to expand our photo booths network into Guangdong Province and other provinces in the PRC.

On 22 February 2019, Guangzhou Max Sight Photo-Me Co., Ltd. (the "**GZ Max Sight**"), an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party in respect of a possible acquisition of the independent third party's business relating to automatic identification photo booths operations in the PRC. For further details, please refer to the announcement of the Company dated 22 February 2019.

We are optimistic about our core business and shall continue to capture market opportunities and expand our network of automatic ID photo booth, so as to achieve sustainable business growth and long-term benefits for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$8,242,000 or 17.73%, from approximately HK$46,491,000 for the year ended 31 December 2017 to approximately HK$54,733,000 for the year ended 31 December 2018. For the year ended 31 December 2018, the higher revenue was attributed to the increase in the sales prices and the number of transactions generated by photo booths.

Cost of sales

The Group's cost of sales primarily consisted of (i) license fees paid to lessors for the operational sites of our photo booths; (ii) staff costs in relation to ID photo booth attendants; (iii) photo booth consumables; (iv) depreciations and others. Our cost of sales was mainly comprised of license fees paid/payable for premises of our photo booths, which accounted for approximately 82.22% of our total cost of sales, for the year ended 31 December 2018.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK$23,234,000 and HK$20,508,000 for the years ended 31 December 2018 and 2017 respectively, representing gross profit margin of approximately 42.45% and 44.11% respectively, maintained at a stable level. For the years ended 31 December 2018 and 2017, the gross profit of the Group is mainly generated by the photo booths in Hong Kong.

Other income

Other income mainly represented sales of photo strips, waiver of other payable and interest income from bank deposits for the year ended 31 December 2018.

Other gains and losses, net

Other gains and losses, net represented a net exchange losses of approximately HK$144,000 for the year ended 31 December 2018, as compared to net exchange gains of approximately HK$65,000 was recorded for the year ended 31 December 2017.

Administrative expenses

The Group's administrative expenses increased by approximately HK$3,785,000, or 41.09%, from approximately HK$9,211,000 for the year ended 31 December 2017 to approximately HK$12,996,000 for the year ended 31 December 2018. The increase was mainly attributable to the increases in (i) staff cost; (ii) Directors' emoluments; and (iii) legal and professional fee.

Finance costs

Finance costs comprised interest charges on finance lease obligation. Finance costs amounted to approximately HK$3,000 and HK$9,000, respectively, for the years ended 31 December 2018 and 2017.

Listing expenses

The Group's listing expenses comprised of professional and other expenses in relation to the listing.

The Group's listing expenses amounted to approximately HK$7,789,000 and HK$11,268,000, respectively, for the years ended 31 December 2018 and 2017.

Income tax expenses

Income tax expenses amounted to approximately HK$1,503,000 and HK$2,076,000 for the years ended 31 December 2018 and 2017, maintained at a stable level.

Profit/(loss) attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately HK$5,266,000 from a loss attributable to owners of the Company approximately HK$3,486,000 for the year ended 31 December 2017 to profit attributable to owners of the Company approximately HK$1,780,000 for the year ended 31 December 2018. The improvement was mainly contributed by the higher revenue and lower listing expenses incurred for the year ended 31 December 2018. Excluding the non-recurring listing expenses incurred for the years ended 31 December 2018 and 2017 respectively, our profit attributable to owners of the Company was approximately HK$9,569,000 and HK$7,782,000 for the years ended 31 December 2018 and 2017, respectively.

Segment information

An analysis of the Group's performance for the years ended 31 December 2018 and 2017 by geographical information is set out in the note 4 of this announcement.

Liquidity and capital resources

Our use of cash is primarily related to operating activities and capital expenditure. We finance our operations through cash flow generated from our operations. As at 31 December 2018, the Group did not have any interest-bearing borrowings and therefore the gearing ratio is not applicable to the Group.

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows, sufficient bank balances and cash. The Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, for example other payables and accrued charges, to match with financial resources available to us from time to time. The Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

Capital expenditure

The capital expenditure for the years ended 31 December 2018 and 2017 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK$10,595,000 and HK$624,000, respectively.

Use of proceeds from the Company's share offer

The Company has received the proceeds from the share offer of 200,000,000 shares of the Company (the "**Shares**") at a price of HK$0.31 each on 28 February 2018 (the "**Listing Date**"). The gross proceeds from the share offer amounted to approximately HK$62,000,000 and the net proceeds was approximately HK$31,852,000. As at 31 December 2018, approximately HK$7,026,000 had been utilised, detailed information has been set out in the following table, prospectus of the Company dated 15 February 2018 (the "**Prospectus**") and the section headed "Use of proceeds from the Company's share offer and change in use of proceeds" in the announcement of the Company dated 10 May 2018 (the "**Announcement**").

The use of net proceeds from the share offer is set out as follows:

	Adjusted use of net proceeds as stated in the Announcement *(HK$'000)*	**Actual utilised net proceeds up to 31 December 2018** *(HK$'000)*	**Unutilised net proceeds up to 31 December 2018** *(HK$'000)*	**Expected time of fully use of unutilised net proceeds**
Expansion of network of automatic ID photo booths				
— Guangdong Province	29,381	6,652	22,729	31 December 2020
— Hong Kong	471	282	189	31 December 2020
Upgrading of validation centre and IT infrastructure	2,000	92	1,908	31 December 2019
Total	31,852	7,026	24,826	

As a result of the continuous changes in the government policy for ID photos in the PRC, our expansion plan in Guangdong Province was slightly delayed during the year ended 31 December 2018. The Company is currently discussing the business opportunities in Guangdong Province and other provinces in the PRC with Prestige Technology Company Limited to pursue the original plan as disclosed in the Prospectus.

In the meanwhile, on 22 February 2019, GZ Max Sight, an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party in respect of a possible acquisition of the independent third party's business relating to automatic identification photo booths operations in the PRC. For further details, please refer to the announcement of the Company dated on 22 February 2019.

As at the date of this annual results announcement, all of the unused proceeds were deposited in licensed banks in Hong Kong.

Foreign exchange risk management

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in Renminbi and HK$. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. The management considers that the exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Significant investments

As at 31 December 2018 and 2017, the Group did not hold any significant investments.

Pledge of assets

As at 31 December 2018 and 2017, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2018 and 2017, the Group did not have any significant contingent liabilities.

Subsequent events

On 22 February 2019, GZ Max Sight entered into a non-legally binding memorandum of understanding with an independent third party in respect of a possible acquisition of the independent third party's business relating to automatic identification photo booths operations in the PRC. For further details, please refer to the announcement of the Company dated 22 February 2019.

Dividends

The Directors do not recommend to declare a final dividend for the year ended 31 December 2018. Other details are set out in note 6 of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") will be held on Friday, 21 June 2019. For details of the AGM, please refer to the notice of AGM which is expected to be published in late March 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 June 2019 to Friday, 21 June 2019 (both dates inclusive), during which period no Share transfers will be effected. In order to qualify for attending and voting at the AGM, all Share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 June 2019.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. During the year ended 31 December 2018, the Company has applied the principles as set out in the CG Code contained in Appendix 15 to the GEM Listing Rules which are applicable to the Company.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions in the securities of the Company.

In response to specific enquiry made by the Company, each of the Directors gave confirmation that he complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Octal Capital Limited as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to the Directors' duties. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 8 July 2017, neither the compliance adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this announcement.

DIRECTORS', CONTROLLING SHAREHOLDERS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2018, an associate of Mr. Riccardo Costi, a non-executive Director, had interests in Dedem S.P.A. and its subsidiaries which are principally engaged in automatic ID photo booths operation and provision of auxiliary services to photo booths operation in Europe. As such, Mr. Riccardo Costi is regarded as having interests in the business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and the Shareholders and will avoid any potential conflicts of interests. The Board is comprised of eight Directors including three independent non-executive Directors and all of them are member of the audit committee of the Company (the "**Audit Committee**"), so that the interests of the Shareholders can be properly maintained.

The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which Mr. Riccardo Costi has declared interests.

Apart from the above-mentioned, during the year ended 31 December 2018, the Directors including the independent non-executive Directors, are not aware of any business or interest of the Directors, the management of the Company and their respective close associates (as defined) under the GEM Listing Rules that compete or may compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

FACILITY AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 11 July 2018, Max Sight Limited, a wholly-owned subsidiary of the Company, has entered into a credit facility agreement (the "**Facility Agreement**") with a licensed bank (the "**Lender**") for a loan facility in the aggregate amount of RMB5,300,000 which will expire on 30 June 2019. The term loan facility shall be repayable in full in 13 months from the date of drawdown.

Pursuant to the terms of the Facility Agreement, if the Chan's family including Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho ceases to be a majority ultimate beneficial shareholder of the Company, the Facility Agreement may be cancelled and repayment may be demanded by the Lender. As at the date of this annual result announcement, Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Ms. Au-Yeung Ying Ho jointly hold approximately 53.45% by Causeway Treasure of the entire issued share capital of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended 31 December 2018.

This annual results announcement is based on the audited financial statements of the Group for the year ended 31 December 2018 which have been agreed with the auditor of the Company.

PUBLICATION OF THE ANNUAL RESULTS AND 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maxsightgroup.com), and the 2018 Annual Report containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

LANGUAGE

If there is any inconsistency between the English version of this announcement and the Chinese translation of this announcement, the English version of this announcement shall prevail.

By order of the Board
Max Sight Group Holdings Limited
Chan Wing Chai, Jamson
Chairman and executive Director

Hong Kong, 22 March 2019

As at the date of this announcement, the executive Directors are Mr. Chan Wing Chai, Jamson, Mr. Chan Tien Kay, Timmy and Mr. Wu Siu Tong; the non-executive Directors are Mr. Cheung Kam Ting and Mr. Riccardo Costi; and the independent non-executive Directors are Mr. Ngai James, Mr. Hui Chi Kwan and Mr. Kwok Tsun Wa.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.maxsightgroup.com.