Max Sight Photo
名仕快相

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 2019

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$4,580,000, from approximately HK$54,733,000 for the year ended 31 December 2018 to approximately HK$59,313,000 for the year ended 31 December 2019.

- The Group's gross profit amounted to approximately HK$21,975,000 and HK$23,234,000 for the years ended 31 December 2019 and 2018 respectively, representing gross profit margin of approximately 37.05% and 42.45% respectively.

- The loss attributable to owners of the Company increased by approximately HK$6,726,000 from a profit attributable to owners of the Company approximately HK$1,780,000 for the year ended 31 December 2018 to loss attributable to owners of the Company approximately HK$4,946,000 for the year ended 31 December 2019. Such loss mainly resulted from the impairment loss of property, plant and equipment and right-of-use assets of the Group in Mainland China of approximately HK$11,663,000 during the year ended 31 December 2019.

- An interim dividend of 0.5 Hong Kong cent per share was paid on 13 September 2019. The Directors do not recommend to declare a final dividend for the year ended 31 December 2019.

ANNUAL RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
			(Note)
	NOTE	***HK$'000***	*HK$'000*
Revenue	*3*	**59,313**	54,733
Cost of services		**(37,338)**	(31,499)
Gross profit		**21,975**	23,234
Other income	*4(a)*	**505**	981
Other net losses	*4(b)*	**(160)**	(144)
Administrative expenses		**(13,524)**	(12,996)
Listing expenses		**–**	(7,789)
Impairment of property, plant and equipment and right-of-use assets	*8*	**(11,663)**	–
(Loss)/profit from operations		**(2,867)**	3,286
Finance costs	*5(a)*	**(553)**	(3)
(Loss)/profit before taxation	*5*	**(3,420)**	3,283
Income tax	*6*	**(1,526)**	(1,503)
(Loss)/profit for the year		**(4,946)**	1,780
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiary outside Hong Kong		**(114)**	(566)
Total comprehensive income for the year attributable to equity shareholders of the Company		**(5,060)**	1,214
(Loss)/earnings per share (Hong Kong cent)			
— Basic and diluted	*7*	**(0.62)**	0.23

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		2019	2018
			(Note)
	NOTE	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**843**	11,172
Right-of-use assets		**9,705**	–
Deposits and prepayments	*9*	**1,683**	1,838
		12,231	13,010
Current assets			
Inventories		**370**	172
Trade receivables	*9*	**1,186**	1,140
Other receivables, deposits and prepayments	*9*	**1,478**	910
Tax recoverable		**922**	1,128
Cash and bank balances		**54,159**	47,294
		58,115	50,644
Current liabilities			
Other payables and accrued charges	*10*	**2,976**	2,557
Lease liabilities		**8,834**	–
Tax payable		**2,098**	672
		13,908	3,229
Net current assets		**44,207**	47,415
Total assets less current liabilities		**56,438**	60,425
Non-current liabilities			
Lease liabilities		**5,157**	–
Deferred tax liabilities		**40**	124
		5,197	124
NET ASSETS		**51,241**	60,301
CAPITAL AND RESERVES			
Share capital		**8,000**	8,000
Reserves		**43,241**	52,301
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**51,241**	60,301

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited on 28 February 2018. 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 are principally engaged in the provision of photography services through automatic identity documentation ("**ID**") photo booths at different locations in Hong Kong and Guangdong Province, Mainland China.

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.95%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(1) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(2) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	HK$'000
Operating lease commitments at 31 December 2018	10,833
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases	(65)
Less: commitments relating to leases not yet commence at 1 January 2019	(222)
	10,546
Less: total future interest expenses	(434)
Total lease liabilities recognised at 1 January 2019 and present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	10,112

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	10,112	10,112
Total non-current assets	**13,010**	**10,112**	**23,122**
Lease liabilities (current)	–	5,369	5,369
Current liabilities	**3,229**	**5,369**	**8,598**
Net current assets	**47,415**	**(5,369)**	**42,046**
Total assets less current liabilities	**60,425**	**4,743**	**65,168**
Lease liabilities (non-current)	–	4,743	4,743
Total non-current liabilities	**124**	**4,743**	**4,867**
Net assets	**60,301**	**–**	**60,301**

(iii) Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flows.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provision of photography services through automatic ID photo booths at different locations in Hong Kong and Guangdong Province, Mainland China. Revenue represents the fair value of amounts received and receivable from provision of photography services by the Group to external customers, net of sales returns.

(b) Segment reporting

The Group manages its business by geography. In a manner consistent with the way in which information is reported internally to the Group's executive directors for the purposes of assessing segment performance and allocating resources between segments, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the reportable segments.

— Photography services in Hong Kong

— Photography services in Mainland China

Revenue comprises solely photography service income.

For the purposes of assessing segment performance and allocating resources between segments, the Group's executive directors monitor the results and assets attributable to each reportable segment on the following basis:

Reportable segment profit represents profit before taxation by excluding head office and corporate expenses.

Segment assets include all current and non-current assets with the exception of cash and bank balances, deferred tax assets (if any) and other corporate assets.

Information regarding the Group's reportable segments as provided to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance for the year is set out below:

Segment results

	2019			2018 *(Note)*		
	Hong Kong	**Mainland China**	**Consolidated**	Hong Kong	Mainland China	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**55,804**	**3,509**	**59,313**	49,868	4,865	54,733
Reportable segment profit/(loss)	**21,904**	**(13,244)**	**8,660**	21,151	751	21,902
Head office and corporate expenses			**(12,080)**			(18,619)
(Loss)/profit before tax			**(3,420)**			3,283
Interest income			**419**			320
Finance costs	**(410)**	**(143)**	**(553)**	(3)	–	(3)
Depreciation	**(9,099)**	**(3,667)**	**(12,766)**	(457)	(1,087)	(1,544)
Impairment of property, plant and equipment and right-of-use assets	**–**	**(11,663)**	**(11,663)**	–	–	–

Segment assets

	2019			2018 *(Note)*		
	Hong Kong	**Mainland China**	**Consolidated**	Hong Kong	Mainland China	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	**14,207**	**601**	**14,808**	4,340	10,423	14,763
Cash and bank balances			**54,159**			47,294
Head office and corporate assets			**1,379**			1,597
Consolidated total assets			**70,346**			63,654

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets (if any). The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018 *(Note)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**55,804**	49,868	**10,648**	1,202
Mainland China	**3,509**	4,865	**–**	9,970
	59,313	54,733	**10,648**	11,172

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

For the years ended 31 December 2019 and 2018, no single customer accounted for 10% or more of the Group's total revenue.

For the year ended 31 December 2019, the Group's two (2018: three) largest suppliers accounted for 100% of the Group's total purchases and our single largest supplier is Photo-Me International Plc. which accounted for approximately 93.2% (2018: 92.0%) of the Group's total purchases. Photo-Me International Plc. is also one of the substantial shareholders of the Company.

4 OTHER INCOME AND OTHER NET LOSSES

(a) Other income

	2019	2018
	HK$'000	*HK$'000*
Interest income	**419**	320
Sales of photo strips	**86**	125
Waiver of other payables *(Note)*	**–**	536
	505	981

Note: During the year ended 31 December 2018, the Group entered into a supplementary agreement with a supplier. Pursuant to which, the supplier waived payable of HK$536,000 in connection with machinery rental in prior years.

(b) Other net losses

	2019	2018
	HK$'000	*HK$'000*
Net exchange losses	**160**	144

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	2019	2018
		(Note)
	HK$'000	*HK$'000*
Interest on lease liabilities	**553**	3

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.

(b) Staff costs (including directors' remuneration)#

	2019	2018
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**10,509**	10,000
Contributions to defined contribution retirement plan	**503**	401
	11,012	10,401

(c) Other items

	2019	2018
	HK$'000	*HK$'000*
Auditors' remuneration	**1,310**	1,050
Depreciation	**12,766**	1,544
— property, plant and equipment*#	**2,567**	1,473
— right-of-use assets*#	**10,199**	71
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*#	**–**	10,312
Lease payments for short-term leases not included in the measurement of lease liabilities#	**358**	–
Variable lease payments not included in the measurement of lease liabilities/contingent rent#	**20,230**	16,247
Cost of inventories	**1,286**	1,134

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

Cost of services includes HK$35,689,000 (2018: HK$30,088,000) relating to staff costs, depreciation expenses and lease expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,649**	1,653
Over-provision in respect of prior years	**(39)**	(7)
	1,610	1,646
Current tax — Mainland China		
Provision for the year	**–**	–
Over-provision in respect of prior years	**–**	(137)
	–	(137)
Deferred tax		
Origination and reversal of temporary differences	**(84)**	(6)
	1,526	1,503

The provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018–19 subject to a maximum reduction of HK$20,000 for each business (2018: a maximum reduction of HK$30,000 was granted for the year of assessment 2017–18 and was taken into account in calculating the provision for 2018).

Under the Law of the Mainland China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiary is 25% for both years.

Mainland China tax law also imposed a withholding tax at 5%, unless reduced by a treaty or agreement, for dividend distributed by a PRC-president enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008.

Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. Provision for withholding tax is recognised for the dividends that have been declared and deferred tax liability is recognised for those to be declared in the foreseeable future. The Group did not recognise any withholding tax for the years of 2019 and 2018.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company of HK$4,946,000 (2018: HK$1,780,000) and the weighted average number of ordinary shares in issue during the year of 800,000,000 (2018: 768,219,000).

(b) Diluted (loss)/earnings per share

There were no diluted potential shares in existence during the years ended 31 December 2019 and 2018.

8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The photography services in Mainland China segment is considered to be a separate cash generating unit of the Group.

During the year ended 31 December 2019, in view of the loss sustained by the photography services in Mainland China segment, management considered indicators of impairment of the property, plant and equipment and right-of-use assets associated with this segment existed at 31 December 2019 and performed an impairment assessment thereon. Based on the impairment assessment conducted by management, impairment losses of HK$7,631,000 and HK$4,032,000 were recognised on property, plant and equipment and right-of-use assets respectively in profit or loss during the year ended 31 December 2019 in order to write down the carrying amount of the property, plant and equipment and right-of-use assets of this segment to their recoverable amounts of HK$Nil and HK$Nil respectively.

The recoverable amount is determined based on the higher of value-in-use and the fair value less costs of disposal. The estimate of recoverable amount was based on a value-in-use calculation which adopted a discounted rate of 12.6% for this segment.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**1,186**	1,140
Other receivables, deposits and prepayments		
Rental and utilities deposits	**2,496**	2,275
Prepayments	**600**	272
Other receivables	**65**	201
	3,161	2,748
Representing:		
Non-current assets	**1,683**	1,838
Current assets	**1,478**	910

The Group grants credit terms of 0–20 days to its lessor of the sites to install automatic ID photo booths which holds 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.

	2019	2018
	HK\$'000	*HK\$'000*
0–20 days	**1,186**	1,140

As at 31 December 2019 and 2018, the Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Group only has one debtor. Due to the financial strength of this debtor and the short duration of the trade receivable, the allowance for expected credit losses is considered insignificant.

10 OTHER PAYABLES AND ACCRUED CHARGES

	2019	2018
	HK\$'000	*HK\$'000*
Accrued expenses	**1,333**	551
Salaries payables and provision for bonus	**962**	958
Other lease and licence fee payables	**592**	928
Other payables	**67**	89
Other tax payables	**22**	31
	2,976	2,557

11 DIVIDENDS

Dividend payable to equity shareholders of the Company attributable for the year:

	2019	2018
	HK\$'000	*HK\$'000*
Interim dividend declared and paid of 0.5 Hong Kong cent per ordinary share (2018: Nil)	**4,000**	–
No dividend proposed after the end of the reporting period (2018: Nil)	**–**	–
	4,000	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are principally engaged in the provision of photography services through automatic photo ID booths at different locations in Hong Kong and Guangdong Province, Mainland China. The business in Hong Kong has exhibited growth and the sales in Hong Kong increased during the year ended 31 December 2019. It was attributed to the increase in the sales prices and the number of transactions generated by photo booths in Hong Kong.

We received a letter of acceptance from a Hong Kong government authority, which is responsible for issuance of ID documents, through tendering for the provision of automatic photographic studio services at the lessor's offices in Hong Kong for a period of 24 months with effective from 1 March 2019. For further details, please refer to the announcement of the Company dated 15 April 2019.

Due to the ongoing public activities in Hong Kong, the shortening of business hours and abrupt closure of business for our licensed sites had happened and our revenue was affected during the year ended 31 December 2019. The business operations of certain licensed sites are subject to different extent of adverse impact. We will continuously strive to coordinate with various property owners, customers and our employees to provide photography services.

In the meanwhile, there are unexpected changes in policy from ID Issuing Authorities in Hong Kong, such as application process and business hours, hence lead to downward pressure on these business in Hong Kong. We are endeavored to monitor the market responses and minimise the impacts of each new policy.

We intend to replicate the success of our business model in Hong Kong to the Mainland China and other countries by expanding our network of automatic photo booths through installing new photo booths in certain selected sites or business acquisition in the market. We believe that the automatic photo booth business has considerable expansion potential in the Guangdong Province, other provinces in the Mainland China and other places and countries in the world.

Expanding our photo booths network is the key to develop our business in the Mainland China. Due to the continuous changes in the government policy for ID photos in the Mainland China and the business in the Mainland China was adversely impacted by macro headwinds and uncertainty, our expansion plan in the Guangdong Province was slightly delayed. We are endeavored to monitor the market responses and minimise the impacts of each new policy. We have performed market researches and held meetings with vendors to explore and discuss any business opportunities in the Guangdong Province and other provinces in the Mainland China.

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 Issuing Authorities. Other than expanding into the locations of ID Issuing Authorities, we are also exploring opportunities to develop our network in the Mainland China railways stations, shopping malls, large residential area etc. We are in negotiation with the property owners and business partners to expand our photo booths network in the Guangdong Province, other provinces in the Mainland China and other places and countries in the world.

Due to the outbreak of the novel coronavirus, the ongoing public activities and continuous change in the government policy, we have taken time to reassess the existing projects including expansion of network of automatic ID photo booths and upgrading of validation centre and IT infrastructure. The meetings and the on-going schedules with our business partners and vendor are also postponed during the year ended 31 December 2019 and up to the date of this announcement.

As the customers increasingly expect the photography service providers to streamline photo-taking workflows and provide high-quality photos, we believe that having high quality photo booths and investing in the IT infrastructure are likely to strengthen leadership status in the industry. During the year ended 31 December 2019, we engaged a vendor for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities.

We are optimistic about our core business and shall continue to capture market opportunities and expand our network of automatic photo booths. In addition, we will also actively research and find new business opportunities to develop a diversified business, so as to achieve sustainable business growth and long-term benefits for our shareholders (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$4,580,000, from approximately HK$54,733,000 for the year ended 31 December 2018 to approximately HK$59,313,000 for the year ended 31 December 2019. For the year ended 31 December 2019, the increase in revenue was attributed to the increases in the sales prices and the number of transactions generated by photo booths.

Cost of services

The Group's cost of services primarily consisted of (i) licence fees paid to lessors for the operational sites of our photo booths; (ii) staff costs in relation to photo booth attendants; (iii) photo booth consumables; (iv) depreciations; and (v) others. Our cost of services was mainly comprised of licence fees paid/payable and depreciation on right-of-use assets for premises of our photo booths, which accounted for approximately 80.74% and 82.22% of our total cost of services, for the years ended 31 December 2019 and 2018 respectively.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK$21,975,000 and HK$23,234,000 for the years ended 31 December 2019 and 2018 respectively, representing gross profit margin of approximately 37.05% and 42.45% respectively, the decrease was mainly attributable to the increase in the depreciation of property, plant and equipment and the depreciation of right-of-use assets. For the years ended 31 December 2019 and 2018, 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 and interest income. Detailed information is set out in the note 4(a) of this announcement.

Other net losses

Other net losses represented net exchange losses of approximately HK$160,000 and HK$144,000 for the years ended 31 December 2019 and 2018 respectively.

Administrative expenses

The Group's administrative expenses increased by approximately HK$528,000, from approximately HK$12,996,000 for the year ended 31 December 2018 to approximately HK$13,524,000 for the year ended 31 December 2019. The increase was mainly attributable to the increases in (i) staff costs; (ii) Directors' emoluments; and (iii) legal and professional fees.

Finance costs

Finance costs represented interest on lease liabilities of approximately HK$553,000 and HK$3,000 for the year ended 31 December 2019 and 2018 respectively.

Listing expenses

The Group's listing expenses comprised of professional and other expenses in relation to the listing of the issued shares of the Company (the "**Shares**") on GEM of the Stock Exchange on 28 February 2018, and amounted to approximately HK$7,789,000 for year ended 31 December 2018.

Income tax expenses

Income tax expenses amounted to approximately HK$1,526,000 and HK$1,503,000 for the years ended 31 December 2019 and 2018, maintained at a stable level.

Impairment of property, plant and equipment and right-of-use assets

The Group had reported a loss in the Mainland China segment for the year ended 31 December 2019. Management considered this as an impairment indicator on the property, plant and equipment and right-of-use assets and has performed an impairment assessment on these assets as at 31 December 2019 to determine the recoverable amount using value-in-use calculation.

Based on the results of the assessment, it is concluded that impairment losses of property, plant and equipment and right-of-use assets amounting to approximately HK$11,663,000 was recognised in profit or loss for the year ended 31 December 2019. Such impairment loss will constitute a non-recurring non-cash gain and loss item and hence without any impact on the Group's operating cash flows.

(Loss)/profit attributable to owners of the Company

The loss attributable to owners of the Company increased by approximately HK$6,726,000 from a profit attributable to owners of the Company approximately HK$1,780,000 for the year ended 31 December 2018 to loss attributable to owners of the Company approximately HK$4,946,000 for the year ended 31 December 2019. Such loss mainly resulted from the impairment loss of property, plant and equipment and right-of-use assets of the Group in Mainland China of approximately HK$11,663,000 during the year ended 31 December 2019.

Segment information

An analysis of the Group's performance for the years ended 31 December 2019 and 2018 by geographical information is set out in the note 3(b) of this announcement.

Liquidity and capital resources

Our use of cash primarily related to operating activities and capital expenditure. We finance our operations through cash flows generated from our operations. As at 31 December 2019, 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 and cash balance. 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 2019 and 2018 were primarily related to expenditures on additions of property, plant and machinery, amounting to approximately HK$21,000 and HK$10,595,000, 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 at a price of HK$0.31 each on 28 February 2018. 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 2019, approximately HK$7,126,000 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$'000)*	Actual utilised net proceeds up to 31 December 2019 *(HK$'000)*	Unutilised net proceeds up to 31 December 2019 *(HK$'000)*	Expected time of fully use of net unutilised proceeds
Expansion of network of automatic ID photo booths				
— Guangdong Province	29,381	6,652	22,729	31 December 2021
— Hong Kong	471	282	189	31 December 2021
Upgrading of validation centre and IT infrastructure	2,000	192	1,808	31 December 2021
Total	31,852	7,126	24,726	

The Company is currently discussing certain business opportunities in Guangdong Province and other provinces in the Mainland China with Prestige Technology Company Limited to pursue the original plan as disclosed in the Prospectus.

During the year ended 31 December 2019, we engaged a vendor for upgrading our IT infrastructure including but not limited to the telemetry system and e-payment facilities.

As a result of the outbreak of the novel coronavirus, ongoing public activities and continuous changes in the government policy, our business developments in Guangdong Province and Hong Kong were delayed during the year ended 31 December 2019 and up to the date of this announcement. The proceeds of HK$22,729,000 and HK$189,000 in relation to the expansion of network of automatic ID photo booths in Guangdong Province and Hong Kong and the proceed of HK$1,808,000 in relation to upgrading of validation centre and IT infrastructure will be fully utilised on or before 31 December 2021.

As at the date of this announcement, all of the unused proceeds were deposited in licenced 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 Mainland China Government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Significant investments

As at 31 December 2019 and 2018, the Group did not hold any significant investments.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

As at 31 December 2019 and 2018, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 31 December 2019 and 2018, the Group had no pledge of assets.

Contingent liabilities

As at 31 December 2019 and 2018, the Group did not have any significant contingent liabilities.

Capital commitments

	2019	2018
	HK$'000	*HK$'000*
Contracted for	**603**	–

Subsequent events

The outbreak of the novel coronavirus since early 2020 has brought about additional uncertainties in the photography services market and the Group's operating environment. The Group has been closely monitoring the impact of the developments on the Group's businesses and has implemented contingency measures. The Group has also been negotiating with the various property owners to apply for the licence fee concessions. As far as the Group's businesses are concerned, the novel coronavirus outbreak has materially and adversely impacted on sales and may pose serious risk on employee's health, impact on the attendance rate of our service providers and higher administrative costs to be incurred for the purchase of cleaning equipment and consumables.

In the meanwhile, the Group considers that the decrease in the demand of ID photos at the first quarter of 2020 is temporary and the demand of ID photos will rise after the outbreak of the novel coronavirus subsides.

As the development and spread of novel coronavirus subsequent to the date of this announcement is uncertain, further changes in economic conditions for the Group arising thereof may have further impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep continuous attention on the situation of the novel coronavirus and react actively to its impact on the financial position and operating results of the Group.

Dividends

An interim dividend of 0.5 Hong Kong cent per Share (2018: Nil) was paid on 13 September 2019. The Directors do not recommend to declare a final dividend for the year ended 31 December 2019. Other details are set out in note 11 of this announcement.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of 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 2019, discloseable transaction was not announced timely at the relevant time. For the detailed information, please refer to the announcement of the Company dated 15 April 2019. Saved as described above, 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 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, 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 2019, 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. During the year ended 31 December 2019, the Board was comprised of eight Directors including three independent non-executive Directors and all of them are the Company's audit committee (the "**Audit Committee**") members, 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 2019, 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 licenced bank (the "**Lender**") for a loan facility in the aggregate amount of RMB5,300,000 which expired on 30 June 2019. On 23 July 2019, Max Sight Limited received a confirmation letter issued by the lender for renewal of the Facility Agreement which will expire until 30 June 2020. The term loan facility shall be repayable in full in 13 months from the date of drawdown. As at 31 December 2019, such banking facilities have not been utilised.

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 ceased 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 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 KPMG

The financial 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 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 KPMG on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee had, together with the management and external 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 2019.

PUBLICATION OF THE ANNUAL RESULTS AND 2019 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 2019 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, 20 March 2020

As at the date of this announcement, the executive Directors are Mr. Chan Wing Chai, Jamson and Mr. Chan Tien Kay, Timmy; 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.